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City Auditor

License Function Review

3rd and 4th Quarter Report:
January 1, 2007 through June 30, 2007

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 January 1, 2007 through June 30, 2007 was conducted. The Charter necessitates the review be conducted monthly however the Office of the City Auditor has elected to issue this reports on a semiannual 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 Office of the City Auditor 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 of January 1, 2007 through June 30, 2007.

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 Office of the City Auditor selected ten days to test the Cash Reports for mathematical accuracy. The types of licenses 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 to ensure proper recording. All related vouchers during the audit period were reviewed for appropriateness and accuracy. All Monthly Activity Reports, which itemizes the receipts by date and category, and the Daily Cash Reports were traced to the Monthly Balancing Sheets and General Ledger activity.

Subsequent Events:

Effective April 6, 2007, the former Deputy Commissioner of Finance in charge of licensing, for the period under audit, served out his last day of employment with the City of Syracuse. On April 15, 2007, the administration officially announced a new Deputy Commissioner of Finance in charge of licensing.

In September of 2007, the Account Clerk II who processed the license applications for the period under audit transferred to a different City Department and in October of 2007 a new Account Clerk II, with no prior experience or exposure to licensing, was hired.

As a result of the above staffing changes, the Office of the City Auditor recognizes that there are likely to be an increased amount of errors discovered with those applications processed during the following twelve month transitional period. However because none of the original staff who processed the work being audited remain in their positions, the time laps between the applications being process and the audit being performed, combined with the learning curve that results from an entire staffing change, the Office of the City Auditor deliberately waited to do an audit to give the new staff time to adjust to their positions, as there was no one left with knowledge of how it was done. In keeping with this decision, the City Auditor decided to focus on the status of prior audit findings rather than the accuracy of the individual licenses that were issued.

FINDINGS:

Finding 1: Application and Fee Errors (See Attachment #1)

When comparing the authorized licenses per the City Charter, to the actual licenses posted by the Bureau of Treasury, for the period under audit, the following inadequacies were discovered. Out of forty-five license applications offered, nine did not have applications available on the City web site or in person at the Department of Treasury, resulting in 20% of all license applications that are considered missing and need to be recreated and posted to the City's web site.

When comparing the regulated license fees to the actual license fees listed on the individual license applications, the following inadequacies were discovered: sixteen applications (*or 36%*) did not indicate any licensing fee amounts and nine applications (*or 20%*) stated incorrect licensing fee amounts that will need to be corrected. As a result of these application fee errors, the Licensing Department averaged an over whelming 56% error ratio regarding the accuracy of posted license application fees. It should be noted that the above inadequacies are considered to be reoccurring, as they have also been identified as findings in prior year audits, and currently do not appear to be addressed.

Per conversation with Deputy Commissioner Somers on May 10, 2007, additional adjustments are still necessary in order to get all of the applications online and up to date. When resubmitting original PDF license applications forms, to the Media Department, to update the city's website, Deputy Commissioner Somers discovered that the Licensing Department no longer had access to the "Adobe Writer" software program which allowed the Licensing Department to update the license application forms. As a result, Deputy Commissioner Somers has been in contact with the IS Department with a request to purchase and install "Adobe Writer" software so that the Licensing staff can update the PDF application files whenever necessary. At this time, the software is being researched and corrections are intended to be processed and estimated to be completed by June 2007.

Per updated conversation with Deputy Commissioner Somers on October 19, 2009, The "Adobe Writer" software program, needed to update the PDF license application forms, has been purchased and used to update the license applications and corresponding fees displayed on each form, as recommended by the Office of the City Auditor. The updated forms have repeatedly been submitted to the Media Center in order to update the City's official website.

However, it should be noted that the Deputy Commissioner in charge of Licensing does not have direct authority or control over the individuals responsible for updating and maintaining the City's official website. As a result, the only thing the Deputy can do is to continue to routinely request changes, monitor the web site, and remain in regular contact with the Media Department to try and get them to post the proper license application forms and fees to the City's web site, as previously recommended by the Office of the City Auditor.

In addition, it is important to note that both the Licensing and Law Departments have been working together to review and update the licensing section of the City charter in order to: clearly document the definition and purpose of each license, to update licensing fees to reflect the current costs associated with processing, and to combine and update various licensing applications. However, this process is moving rather slowly and has yet to produce any substantial changes over the past two and a half years.

Recommendation 1:

It should be noted that the above flaws are considered reoccurring, as they have repeatedly been identified over the past several years and have shown very little improvement. As a result, the above noted flaws appear to be the cause of further mistakes in the licensing process resulting with incorrect: applications being used, licenses being issued and fee amounts being collected. Therefore, the City Auditor advises that each application be reviewed, updated, and resubmitted to the Media Unit to be posted on the City's internet site. However, because this path has been taken in the past with little success, the City Auditor recommends that the administration take a

proactive roll in getting the correct licensing applications and corresponding fees posted to the City's internet site.

Attached is an up to date list of available licenses, and corresponding fees, that are under the responsibility of the Department of Finance (Attachment 2). The accuracy of the list was confirmed by the Law Department for the City of Syracuse on November 6, 2009.

While previously reviewing all of the general licenses issued, to verify the accuracy of licensing fees being calculated and collected, the following errors were found:

Finding 2: Dancing and Entertainment License Errors

After reviewing all of the "Dancing" and "Entertainment" license applications, from our previous audit, it was discovered that one, or 3%, of the licensee's did not indicate the nature of the activity that they were requesting to have licensed, in which case no license should have been issued until further clarification was received.

In addition, seven cases, or 19%, of the licensee's were improperly charged for an entertainment only license when a dance area license was also requested in the description section of the application, resulting in under charging the licensee. By error, the application requests these two separate licenses using one application, but does not reflect the two separate licensing fees on the application itself.

Per the Audit Department's meeting with Deputy Commissioner Somers, on May 10, 2007, Dance Area and Entertainment License applications are in deed two separate and distinct licenses, with two individual fee schedules. The two applications were previously combined in order to more easily track the maximum annual Dance & Entertainment licensing fee amount of \$300.00. As a result, Deputy Commissioner Somers stated that she would be updating the Dance & Entertainment license application forms to reflect both the individual Dance and individual Entertainment licensing fees, as soon as the "Adobe Writer" software program, is purchased and received. At this time, the software is being researched and corrections are intended to be processed and estimated to be completed by June 2007.

Per updated conversation with Deputy Commissioner Somers on October 19, 2009, the "Adobe Writer" software program has been purchased, received, and used to update all license application forms, per the City Auditor's previous recommendations. However, as stated above, the updated licensing application forms have been resubmitted with a request to update the City website, which has yet to be done successfully.

Lastly, the Audit Department noted that two, or 6% of the applications reviewed did not indicate the seating capacity of the establishment, as determined by the Syracuse Fire Department.

Per conversation with Deputy Commissioner Somers on October 19, 2009, when the seating capacity is not indicated on the license application it is usually because the applicant does not know what the official seating capacity is and needs the Fire Department to make that determination during their inspection. However if the application is for a site that has previously been licensed, then the seating capacity can be researched using prior license applications for that location.

However, since the City Auditor has seen a noted improvement in this area, it is now felt that the Licensing Department is clearly and consistently indicating the seating capacity of each Dance and Entertainment license application. As a result, the City Auditor will consider reducing testing in this area, going forward.

Recommendation 2:

By error, the application requests two separate licenses using one application, but does not reflect the two separate licensing fees on the application itself. Therefore, the City Auditor recommends that either: separate applications forms are created for each individual license, displaying the appropriate licensing fees on each form; reviewing and updating the current application to reflect the appropriate fees for each license that the application can be used for; or create a generic license application form that can be used to request various multiple licenses with an attached fee schedule outlining all city licensing fees. Regardless of which path the department chooses to disclose its licensing fees there needs to be consistency among each application.

Lastly, once the decision is made as to how City licensing fees will consistently be displayed, then the updated license applications needs to be resubmitted to the Media Department in order to be posted to the City website.

Finding 3: Exhibition License Errors

After reviewing all of the Exhibition license applications, from our previous audit, it was discovered that no exempt applications were mistakenly classified and charged for an Exhibition License at a fee of \$55.00 per day, for such events as school dances, graduation ceremonies, private parties or weddings, which are actually considered private events, exempt from general licensing requirements and a noted improvement over prior years. However event organizers still need to notify the Police and Fire Departments of their planned events so that emergency services can properly be coordinated.

However in reviewing the Exhibition license applications, from our previous audit, it was discovered that four, or 100%, of the applications were either inappropriately categorized or over charged. At least one application should have been issued as a "Theater/Stage Production License" at a cost of \$15.00 per day and three applications should have been issued as "One Day Concert Licenses" with a fee of \$15.00 per day, but all were

mistakenly classified as an Exhibition License with a fee of fifty five dollars, resulting in over charging the licensees by \$40.00 per day.

Per the Audit Department's meeting with Deputy Commissioner Somers, on May 10, 2007, Deputy Commissioner Somers stated that the Licensing Division has been working hard to issue the correct license applications as indicated above by compiling and reviewing all City licensing ordinances to create an up to date licensing policy and procedures handbook for the current and future licensing staff to reference, detailing the various city licensing options, ordinances, rules, regulations, and clarification memos provided by the City of Syracuse Law Department regarding the license application process. In addition, the licensing staff is working closely with the Law Department to draft new legislation that will clarify and update the Licensing sections of the City Charter.

Per conversation with Deputy Commissioner Somers on October 19, 2009, the Licensing and Law Departments have been working together to review and update the licensing section of the City charter in order to: clearly document the definition and purpose of each license, to update licensing fees to reflect the current costs associated with processing, and to combine and update various licensing applications, such as the Exhibition and other one day licenses. However, this process is moving rather slowly and has yet to produce any substantial charter changes over the past two and a half years.

Lastly, there seems to be some confusion regarding events taking place in County Facilities, as some events appear to be receiving licenses, while other events are not. When the Audit Department submitted a request to the Law Department for clarification on this topic, the Law Department agreed that all events taking place within the city limits are required to be licensed regardless if they are taking place at a County facility or not. However, the Law Department also indicated that because the County is considered a higher level of Government, many mistakenly believe that the County is exempt from the City's licensing requirements. As a result, the determination is usually left up to the administration to decide, which has been handled inconsistently at best.

Per conversation with Deputy Commissioner Somers on October 19, 2009, the Licensing Department will process any license applications that are willfully submitted to the city, even for those events taking place in a County Facility. However due to a lack of clarification on this issue, the Licensing Department does not aggressively pursue potential licenses for events being held at a county facility.

Recommendation 3:

In light of inappropriately categorizing and over charging for individual one day licenses in the past, such as: Concerts, Dance, Ice and Musical Shows; Motion Picture, Theater or Stage Production; Open Air Cultural Event; and Professional Basketball or Hockey, the City Auditor recommends the Licensing and Law Departments expedite their efforts to

update the licensing section of the City charter in order to: clearly document the definition and purpose of each license, to update licensing fees to reflect the current costs associated with processing, and to consolidate various individual licensing applications, such as the Exhibition and other one day entertainment type licenses noted above.

In addition, the Audit Department, with the support of the Law Department, strongly recommends that the administration reestablish the process of charging a licensing's fee for events taking place in county facilities, especially in light of the New York State fiscal crisis. It is important to note that it is not the facility owner who pays the licensing fees; it is the event organizer who does. Lastly, one needs to keep in mind that one of the purposes of entertainment type licenses is to notify and document, with the Police and Fire Departments, a scheduled event so that emergency services can properly be coordinated.

Finding 4: Second Hand Dealer License Errors

In previous audits, it was discovered that for internal tracking purposes, the City's Licensing Department decided to separate and file Second Hand Dealer licenses into the following categories: Antique/second hand dealer, second hand auto, second hand auto-parts licenses. Unfortunately, this internal tracking method has resulted in three separate license applications being created, when in fact only one "Second Hand Dealer License" is actually authorized. In addition, this practice has also resulted in a confusing filing system and the appearance that non-existent "second hand auto" and "second hand auto-parts licenses" are being issued.

Going forward, it has been agreed that the Licensing department will update the Second Hand Dealer application form, to include a subsection which will identify the type of goods to be sold as either: used goods, automobiles, or automobile parts. To date, however, the Licensing Department has not yet updated the Second Hand Dealer license application form to include the subcategory section discussed above.

Per conversation with Deputy Commissioner Somers, on May 10th, 2007, and as previously indicated above, the non-existent "Second Hand Auto" and "Second Hand Auto-Parts" licenses, are not actually being issued, just incorrectly titled, in an attempt to internally track the various types of second hand goods being sold. To elevate the confusion and appearance of non-existent licenses being issued, Deputy Commissioner Somers stated that she would be updating the Second Hand Dealer license application form to include a subsection that will reflect the various types of second hand goods being sold, as soon as the "Adobe Writer" software program, referenced above, is received. At this time, the software is being researched and corrections are intended to be processed and estimated to be completed by June 2007.

Per updated conversation with Deputy Commissioner Somers on October 19, 2009, the "Adobe Writer" software program has been purchased, received, and used to update all license application forms, per the City Auditor's previous

recommendations. However, as stated above, the updated licensing application forms have been resubmitted with a request to update the City website, which has yet to be done correctly.

Recommendation 4:

When the City Auditor researched other larger city government web sites, within New York State, it was discovered that the majority contained a brief narrative of additional information, other than just the application, regarding each license. This narrative section allowed those city's to clearly define the who, what, where, when and how much questions regarding each license, making it quick and easily for the general public to research local licensing requirements.

To avoid the appearance that non-existent or unauthorized licenses and applications are being issued, the City Auditor recommends that the Licensing and Law Departments continue to work closely together to clearly define, outline and update the purpose, use, and cost of each license. Once clearly defined and posted to the City website, with updated license applications and instructions, this additional information should be helpful in determining the appropriate city licenses that should be issued.

Finding 5: Food Vendor/Peddler License Errors

After reviewing all of the Food Vendor/Peddler License applications from the previous audit, it was discovered that three, or 75%, of the applications were inappropriately categorized as a "Vendor Peddler License", when a food vendor license should have been issued. In addition, it was discovered that there is no valid One Day Food Vendor License on the books, even though a one day special event category is listed on the Food Vendor license application. For these cases, the most applicable license to be issued would have been for a one week Food Vendor license at a cost of \$100, per Section 14-44(d) of the Revised General Ordinances, undercharging the licensees by a total of \$240.00.

Per the Audit Department's meeting with Deputy Commissioner Somers, on May 10, 2007, the Deputy Commissioner in charge of Licensing does not have direct authority or control over the individuals located in other departments, such as Parks and DPW, who are authorized to process and issue Vendor Peddler &/ or other miscellaneous licenses. At this time, the City Auditor recommends that the Commissioners of Parks and DPW each work with the Deputy Commissioner in charge of Licensing to update and train their staff concerning the numerous changes being implemented regarding any new licensing applications, fees, functions, rules, regulations, and/or tracking systems.

Per updated conversation with Deputy Commissioner Somers on October 19, 2009, the Licensing department has been working much closer with DPW and the Park's Department to coordinate the issuance of various City Licenses and

permits to improve the level of communication and cooperation between these Departments.

In addition, it was also discovered, in our previous audit, that multiple Hot Dog Lottery deposits are being received and booked as a single transaction, when each individual check received should be processed separately. After reviewing all of the Hot Dog Lottery Deposits, from our previous audit, one or 25%, were not properly documented and tracked, as the supporting documentation did not reconcile back to the monthly activity report. At this time, the Audit Dept still recommends that a contra account be set up in the General Leger to accurately track deposit details.

Per the Audit Department's meeting with Deputy Commissioner Somers, on May 10, 2007, in order to set up a new "Hot Dog/Food Vendor Lottery Deposit Account" in the general ledger, the Commissioner of Finance would need to be contacted for approval. However, at this time, Deputy Commissioner Somers feels that this issue can be resolved through the correct use of Excel spreadsheets detailing the applicants name, deposit date, deposit amount, license number issued, and the amount and date the deposit was applied against the application fee, zeroing out the deposit account balance. In addition, the original "Hot Dog/Food Vendor" license application will also clearly indicate the original deposit date and amount that is being applied against the application fee, reducing the total licensing fees to be collected.

Per updated conversation with Deputy Commissioner Somers on October 19, 2009, Excel spreadsheets are successfully being used to track Hot dog lottery deposit account balances, effectively removing the need to establish a contra account. However, it should be noted that Hotdog and other mobile food vendors are not require to get a license if, and only when, they are operating on private property.

The net effect of the above general licensing errors, including immaterial rounding differences, uncovered during the October 1, 2006 through December 31, 2006 audit period, were \$365.02 of under collected Licensing Revenue, which represents less than one percent of the general license fees collected for said period. Since theses errors stemmed from incorrect statements on the applications and the lack of knowledge of persons involved, immediate action is needed to ensure the proper licenses and corresponding fees are charged in the future.

Recommendation 5:

Since the above errors stemmed from incorrect statements on the applications and the lack of knowledge of persons involved; immediate action is needed to ensure the proper licenses and corresponding fees are charged in the future.

Along with correcting the license applications, the Bureau of Treasury should also make certain the staff responsible for processing; supervising and enforcing licenses should always be well informed on the regulations governing the function.

Finding 6: Deficient Internal Controls

While tracing transactions from the Monthly Activity Report to the Monthly Balancing Sheet and finally to the Monthly General Ledger activity, the following recording errors and information deficiencies were discovered, during the previous audit. On multiple occasions; receipt dates, disbursements and/or J/E's were not accurately reflected on the Monthly Activity Reports.

“Out of the two hundred nineteen transactions selected for testing, from the prior audit, nine were discovered to consist of multiple licensing requests per application, resulting in forty-seven actual licenses being requested and issued. As a result, 21% of the actual transactions tested were not properly documented and recorded on the monthly activity reports. Per conversation with the Commissioner of Finance, Brian Roulin, it was agreed that the City Audit’s suggestion that each individual check received should be processed as a separate transaction for deposit purposes, and that each “daily cash report” must include a detailed break down of every license requested, not just applications received, for reconciliation and tracking purposes.

Per the Audit Department’s meeting with the Deputy Commissioner Somers, on May 10, 2007 and on October 19, 2009 Deputy Somers stated that she has sat with, explained, and instructed the Licensing Clerk to document all licensing activities, disbursements and J/E’s on the Monthly Activity Reports going forward, for reconciliation purposes, however the license applications reviewed during this audit, were processed prior to that conversation.

While attempting to reconcile issued license numbers with their corresponding license applications, the Office of the City Auditor discovered that issued license numbers are not currently being recorded or cross referenced back to the Monthly Activity Report. As a result, the Ordinance/Code Enforcement Department can not easily query an up to date data base to identify those licensees who are/or are not currently in compliance with the appropriate licensing requirements. In addition, the Licensing Department should be able to easily determine and track the average processing time from application to license issuance, for each license type.

Per updated conversation with Deputy Commissioner Somers on October 19, 2009, Excel spreadsheets are successfully being used to track issued license numbers, however this information is not being recorded on the monthly activity report, but it is located in a separate spread sheet altogether.

Lastly, it was also discovered that the official licensing documents, such as: licensing badges, certificates, pins, and pre-numbered license plates, are being left out in the open

within the Department of Treasury and do not appear to be properly secured, exposing the department to possible theft and fraud.

Per the Audit Department's meeting with Deputy Commissioner Somers, on May 10, 2007, Deputy Commissioner Somers stated she was under the impression that the entire Treasury Department was considered a secured location by the external auditors and that no additional security precautions were necessary. However, it was pointed out that the main security camera that previously pointed directly on the walk-in safe, located within the Treasury Department, had been removed several months ago and still has not been replaced.

In addition, after further discussion of various ways fraud could occur, Deputy Commissioner Somers indicated that she would consider the possibility of establishing some additional procedures to reconcile issued licensing numbers, as previously recommended by the Office of the City Auditor, after some of the more pressing issues stated in this report have been addressed.

Per updated conversation with Deputy Commissioner Somers on October 19, 2009, Excel spreadsheets are being used to track issued license numbers, and can be used to reconcile official unissued licensing documents, if necessary. Official unissued licensing documents are being secured in the treasury vault over night and are located in the Licensing Clerk's desk area during the day, restricting exposure down to internal employees only. Not only is public access to this area restricted but multiple security cameras are located within the Treasury Department as well, creating a secured environment during business hours.

Recommendation 6:

Although the City Auditor acknowledges the Bureau of Treasury to be a secured location, the City Auditor still recommends reconciling the unissued licensing numbers and total licensing fees collected to ensure everything is properly safeguarded. In addition, it is also recommended that the Licensing Clerk write the issued licensing number and date on each corresponding license application and expand the Monthly Activity Report to also include the issued license number and date, so that a monthly, quarterly or annual reconciliation of license numbers can be performed and a turn over ratio can be determined. This control method would ensure that each issued license can easily be matched up with its corresponding approved application, as well as accurately tracking both the processing time and total number of each license type issued each year.

Although the combination of the above errors did not result in material inaccuracies in the General Ledger, it is strongly suggested that internal controls be tightened to increase the accuracy of reporting, and to include separation of duty regarding the following responsibilities:

Monthly Activity Reports: It should be noted that the Monthly Balancing Sheet's purpose is to reconcile the receipt and disbursement activity to ensure recording

accuracy. Thus, the Monthly Activity Report should also be reconciled to the G/L and the Monthly Balancing Sheets, at month end, by an individual whose duties are segregated from the Licensing Clerk responsible for creating the Monthly Activity Reports. Any discrepancies found, such as NSF checks, duplicate payments, and/or posting errors should be noted, clearly explained and properly documented. Once the reconciliation has been completed, it should be forwarded, reviewed and approved by the 2nd Deputy Commissioner of Finance, to provide stronger internal checks and balances.

Master Licensing Database: As noted above, the Licensing Division is maintaining an issued licensing database, which should continue to be maintained and updated on a routine bases by the Licensing Clerk. However, the current database should be combined with the Monthly Activity Report, to track and record all license applicants by name, organization, location, activity date, application date, license type, license purpose, fees collected, application status and corresponding issued license date and number. Once combined, this data base can then easily be sorted and used to: Reconcile monthly issued licensing numbers, track processing time, create the Charter required summary activity reports, and assist those responsible for issuing and enforcing the City's licensing requirements.

Finding 7: Completeness of Licensing Functions

As stated in the previous audit reports, the Office of the City Auditor has discovered that the Licensing Division currently is not in compliance with Article 1; Section 5-1(d) of the Syracuse City Charter, regarding licensing activity reporting requirements. The Charter requirement states that, "The Commissioner of Finance shall provide a quarterly report, thirty (30) days after the preceding quarter, stating the number, location and type of new entertainment licenses granted by the City during the preceding quarter. In addition, the Commissioner of Finance shall file an annual report with the City Clerk summarizing the year's activity concerning entertainment licenses." To date, these reports are not being generated or turned into the City Clerk's office as required by the Syracuse City Charter.

Per the Office of the City Auditor's meeting with the new Deputy Commissioner, Deborah Somers, on May 10, 2007, Deputy Commissioner Somers stated she also was not aware that quarterly and annual reporting requirements existed. After supplying a copy of the reporting requirement, Deputy Commissioner Somers indicated that she will make sure that both the quarterly and annual reports are prepared and submitted as required, by City Charter.

Per updated conversation with Deputy Commissioner Somers on October 19, 2009, the monthly activity report combined with the issued licensing data base, records all of the necessary information to generate this quarterly report, however because no one has ever asked for this information it currently is not being submitted to the administration or common council or being recorded by the City Clerk's office, as required by the City Charter..

While reviewing the monthly activity reports for completeness, the Office of the City Auditor discovered multiple licensing categories that had no activity. In particular, the Office of the City Auditor identified: Bowling Alleys, Buses, Concerts, Circuses, Dance Schools, Ice Shows, Musical Shows, Open Air Cultural Events, and Professional Basketball or Hockey Licenses as being inactive. However, the Office of the City Auditor identified multiple activities in these categories that appear to be occurring, which require a license for such activity or operation. As a result, the Office of the City Auditor made various inquires regarding verification procedures that are being performed, within the Licensing Division, to identify potential licensees that are not complying with city licensing requirements.

Per the Office of the City Auditor's meeting with Deputy Commissioner Somers, on May 10, 2007, it was explained that the current Licensing Clerk was never comprehensively trained on all of the various licensing options listed in the charter. As a result of missing license applications and a lack of knowledge regarding the subject matter, the Licensing Clerk was left to rely on the previous Deputy Commissioner in charge of licensing, Jim Mahaney, for guidance and direction.

Currently, however, the new Deputy Commissioner, Deborah Somers, is working to create a up to date licensing policy and procedures manual for the current and future licensing staff to reference detailing the various city licensing options, ordinances, rules, regulations, and clarification memos provided by the City of Syracuse Law Department regarding the license application process. In addition, the licensing staff is working closely with the Law Department to draft new legislation that will clarify and update the Licensing sections of the City Charter, by removing any outdated licensing requirements and updating various licensing fees.

As far as compliance and enforcement is concerned, Deputy Commissioner Somers agrees that the Licensing Division plays a very important role, and should be assisting the Police Ordinance Enforcement Division identify various individuals and businesses that may be operating without a proper or valid license. Going forward, Deputy Commissioner Somers intends to have the Licensing Clerk start researching, cross referencing, and verifying potential license applicants, once some of the more pressing issues, previously sited in this audit report, have been addressed.

Although the Office of the City Auditor did not research verification procedures being performed by the Police Ordinance Enforcement Division, the Office of the City Auditor did question the Licensing Divisions knowledge of general compliance and/or enforcement procedures being performed by the Police Ordinance Enforcement Division. Unfortunately, the Licensing Division did not appear to have much, if any, basic knowledge of the general compliance and/or enforcement procedures being performed. As a result, the Office of the City Auditor has concluded that there are insufficient co-

ordination efforts between the two divisions to uniformly enforce compliance with City licensing requirements.

Per the Office of the City Auditor's meeting with the new Deputy Commissioner, Deborah Somers, on May 10, 2007, Deputy Commissioner Somers stated that she has already been in contact with various Code, Fire and Police Ordinance Enforcement Department Commissioners, to better coordinate compliance and enforcement efforts, throughout the City.

Per updated conversation with Deputy Commissioner Somers on October 19, 2009, the Police Ordinance Enforcement Division has also seen a change in staff, which has opening the door for a more unified working relationship by improving interdepartmental communication, cooperation and coordination. In addition, the interaction between the other departments involved in Licensing, such as DPW, Parks, Police, Fire, and Code Enforcement have also improved allowing everyone to working closer together and functioning more like a team.

Recommendation 7:

A master licensing database should continue to be maintained, by the Licensing Clerk, on a routine basis, and used to: reconcile monthly issued licensing numbers, create the charter required summary activity reports, and assist the Police Ordinance Enforcement Division in identifying potential licensees that are not in compliance with City licensing requirements. In addition, the City Auditor recommends verification procedures be developed, and put into place that would improve co-ordination efforts between the two divisions, resulting in an increase in licensing revenue and compliance with various licensing requirements. Such verification procedures can be as simple as: listening to the radio or looking through the entertainment section of various newspapers to identify events that qualify for licensing, such as: ice shows, concerts, or professional sporting events like Syracuse Crunch Hockey games. In addition, the licensing division should also consider performing an internet phone book search, by business type and location, to help identify additional potential licensees.

Conclusion:

The Office of the City Auditor uncovered multiple errors regarding the types of general licenses issued, corresponding fees collected, deficiencies in internal controls, as well as completeness of general licensing function and enforcement.

In addition, the Office of the City Auditor has also determined, with reasonable assurance, that the Bingo, Certificate of Use, and Games of Chance License activities, for the audited period, were free of material misstatements. Attached is an Activity to Date Report (Attachment 3) for your reference and utilization.

Lastly, per the Office of the City Auditor's meeting with the new Deputy Commissioner, Deborah Somers, on May 10, 2007, the City Auditor feels that the restructuring of management responsibilities over the License Division will produce marked

improvements over processing, tracking, and reporting of licensing activity, as continually recommended by the Office of the City Auditor over the last several years.

Auditor's Notes:

Due to the errors in types of licenses granted and fees collected, noted in Audit Findings 1 and 2 above, the Office of the City Auditor analyzed the general license activity for fiscal years ending June 30, 2003, 2004, 2005, and 2006 for evidence of similar recurring errors. Unfortunately, the errors noted in Audit Findings 1 and 2 above, were also found in the 2003, 2004, 2005, and 2006 fiscal years and corresponding audit reports.

The Office of the City Auditor has repeatedly, over a period of several years, questioned determinations made in issuing licenses for diverse activities under the Entertainment/Exhibit license, seemingly as a catch-all category, when they related to specific activities that were covered by licenses that have been created under various ordinances. Most recently, the Corporation Counsel's Office responded to direct inquiries made by the Office of the City Auditor and commented on this recurring question.

On November 6, 2009, the accuracy of the full listing of license categories was confirmed by the City's Law Department. The Law Department commented as follows:

"As the Law Department does not issue the licenses"... it "can only confirm that the General Ordinances you reference are correct." The Law Department has "spoken with Licensing and as I believe they have indicated to you in previous discussions many of the licenses on your list fall under an Entertainment/Exhibit license."

"The licenses for the circus, concerts, dance (one night only), ice show, musical shows, open air cultural events, professional basketball or hockey, and theater or stage productions would all fall under the Entertainment/Exhibit license."

If the conclusion stated above is correct, then it is incumbent on the Administration, using either the Licensing Office or the Corporation Counsel's Office, to immediately work toward implementing legislative action to rescind General Ordinances that are evidently seen as unnecessary. However, since very specific licenses have been created for a number of events that have not become questionable or obsolete – circuses, concerts, professional hockey and stage productions – these license should be used until they are removed and they should be used correctly.

As noted repeatedly in this audit, incorrect amounts have been charged by the wrong license being used. Some applicants have been overcharged while others undercharged. Although the monetary amount of the above errors may appear immaterial, the fact that inaccurate licensing fees are treated as being acceptable reflects a management style that is unacceptable and a disservice to the public.

An excellent example of how a lax attitude about charging correctly has significance relates to the events held in Onondaga County facilities. We have raised the question of whether such events fall under the licenses issued by the City.

The Corporation Counsel's Office in 2007 stated "The County is only exempt from licenses if it is a County event in a County building any other event is not exempt simply because it is held in a County building". The Corporation Counsel's Office maintains that their position remains unaltered today. However, the City continues to not charge organizations using county facilities. How much lost revenue does this failure represent, and when will the City act responsibly and collect money that it is rightfully due? At a time when we see the county subsidizing the activities of the OnCenter and the OnCenter Board adding additional fees for events to support the costs of the organization, one can only hope that the City of Syracuse will recognize the need to collect the fees that are due and in place.

Philip J. LaTessa
City Auditor
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