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

In planning and performing our audit of the basic financial statements of the City of Syracuse, New York (the City) as of and for the year ended June 30, 2012, we considered the City's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control.

During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the City's internal control in our report dated March 13, 2013. This letter does not affect our report dated March 13, 2013 on the basic financial statements of the City of Syracuse, New York.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

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

March 13, 2013  
Syracuse, New York

**CITY OF SYRACUSE, NEW YORK  
MANAGEMENT LETTER**

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**I. VEHICLE USE POLICY**

Comment:

Employees that use City owned vehicles do not sign an acknowledgement of the City's Vehicle Use Policy.

Recommendation:

Employees should sign an acknowledgement of the City's Vehicle Use Policy.

## II. INFORMATION TECHNOLOGY

Comment:

We noted the following relative to information technology:

- Information Systems (IS) is allowed to input payroll transactions for other departments but the transactions must be approved by the payroll department prior to posting.
- IS is allowed to make master file changes but only with approved initiating forms provided by the user departments.
- Three programmers have access to the AS400 payroll system and could, conceivably, modify their own payroll records.
- Utilities are used to modify data outside of the application but these changes are not logged. The AS400 system audit trails (journaling) are not turned on. This would serve as a form of logging for changes.
- Some passwords are shared, particularly among interns. These are for non-critical applications (not payroll).
- Programming documentation is maintained on the IS intranet and is not secured through authentication. Only the correct URL is required to access this documentation but the URL is not public knowledge.
- A risk assessment is not conducted.
- Physical security of back-up tapes is not limited and regular server restore procedures are not reviewed and tested thoroughly.
- There is no documentation of security policies and procedures. Programmers have full access to key financial information.
- There is no formal documentation for change management procedures and policies as they pertain to program changes and application development.

Recommendation:

The above items should be reviewed and addressed by management.

### III. INTERNAL CONTROL AND OPERATING CYCLES

1. Comment:

- There is no accounting manual which documents procedures.
- The City's accounting system is not fully integrated and includes many features, which operate independent of its general ledger. Specifically, property tax revenue, payroll, aviation accounting, and community development are not integrated. The failure to integrate all accounting functions results in extensive, time-consuming, manual efforts to assemble accurate internal financial information.
- The files for property tax cash receipts, maintained on the AS400 computer system, are not date sensitive (i.e., once the files are updated for a particular day's transactions, the ability to isolate activity for prior days is lost). If reports are not run and maintained at June 30, documentation of proper cutoff at year-end cannot be established.
- There is a timekeeping system in place that allows various departments to keep track of compensated absences. There appears to be no supervision or review of this function.

Recommendation:

The above items should be addressed by management.

2. Comment:

We noted the following relative to the preparation and review of bank statements and reconciliations:

- Certain bank statements are received directly by the preparer in the Bureau of Account (BOA).
- Although bank reconciliations are prepared and reviewed, some are not dated making it impossible to determine if they were prepared and reviewed on a timely basis.
- Certain bank reconciliations were not completed and reviewed in a timely manner.

Recommendation:

All bank statements should be received by an individual other than the preparer. The statements should be scanned for unusual activity. The preparer and reviewer should date the reconciliations to ensure they are prepared and reviewed on a timely basis.

3. Comment:

The City uses a third party service provider, Systems East, to process electronic payments made on-line for taxes, water and parking violations through its website. Systems East does not have a formal SSAE 16 Type II Report.

Recommendation:

The City may want to consider requiring its third party service providers to have a SSAE 16 Type II report prepared. This report provides users with detailed information about controls at the service organization that affect the user entities. It includes a detailed description of tests of controls performed by the services organization and the results of those tests. Requiring this report may become part of the Request for Proposal process.

4. Comment:

We noted there is no evidence of review and supervision over the reimbursement requests prepared for the CHIPS and the Highway Planning and Construction Grants Programs. Calculation errors in the requests could go undetected resulting in reporting errors.

Recommendation:

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

5. Comment:

During our testing of the payroll system, we noted two instances, out of sixty selections, in which employees were paid salaries that did not agree to the contract on file.

Recommendation:

These contracts were being finalized in the Law Department. All salaries should be supported by finalized contracts. Contracts should be prepared in a timely manner.

#### **IV. WATER AND SEWER FUNDS**

Comment:

The Water and Sewer funds have credit balances that offset the accounts receivable balances.

Recommendation:

The Water and Sewer finance department should continue to monitor these credits and establish a policy for overpayments on accounts.

#### **V. RETAINAGE PAYABLE**

Comment:

In the water, sewer and capital projects funds we noted that the retainage detail includes retainage on projects that have been completed several years ago. Since the City is not contacted by the vendor requesting payment, the payable remains on the books. Retainage payable on completed projects was \$4,137, \$130,693 and \$173,940 for the sewer, water and capital projects funds, respectively.

Recommendation:

The City should establish policies and procedures to ensure retainage is paid out timely in an effort to maintain clean and accurate records.

#### **VI. AVIATION FUND**

Comment:

We noted several insignificant errors in the compensated absences calculations.

Recommendation:

All calculations should be reviewed by management for accuracy.

## **VII. CREDIT CARD PAYMENTS**

### **Comment:**

Credit card payments for parking violations that are paid through WorldPay are recorded in the general ledger net of collection fees.

### **Recommendation:**

All internet payments should be recorded at the gross amount (both payment and the internet charge).

**VIII. DISPOSITION OF PRIOR YEAR MANAGEMENT LETTER COMMENTS**

**Prior Year Comment**

**Current Year Status**

**I. VEHICLE USE POLICY**

Comment I. See current year comment I.

**II. INFORMATION TECHNOLOGY**

Comment II. See current year comment II.

**III. INTERNAL CONTROL AND OPERATING CYCLES**

Comment III. See current year related comment III.

**IV. WATER AND SEWER FUNDS**

Comment 1. See current year comment IV.

Comment 2. See current year related comment V.

**V. AVIATION FUND**

Comment 1. See current year comment VI.

**VI. FIDUCIARY FUNDS**

Comment VI. This comment has been addressed by management.