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HELPING OUR CLIENTS'  
VISIONS ADD UP

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, 2013, 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 14, 2014. This letter does not affect our report dated March 14, 2014 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 14, 2014  
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:

- 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.
- 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.
- 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 could become part of the Request for Proposal process.

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

Comment:

The Water and Sewer funds have credit balances that offset the accounts receivable balances. These credit balances are the result of customer prepayments and overpayments.

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 approximately \$67,000, \$5,500 and \$141,000 for the water, sewer 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. PARKING METERS**

### Comment:

There are approximately 280 single space parking meters that do not have a tracking mechanism within them for coin collections. Without this tracking mechanism, there is exposure to theft.

Policies and procedures could be enhanced for the pay stations that do have a tracking mechanism in place. A third party transport company makes scheduled pick-ups of meters and delivers funds to the bank for the bank to count and deposit on a daily basis. There is not a reconciliation done between daily coin and credit card receipts reported in MyParkeon website and the accounting records.

### Recommendation:

The City should continue to develop, implement and monitor policies and procedures related to parking meters to ensure appropriate internal controls over the parking meter revenue cycle. The City should implement a process that requires an individual to reconcile the information recorded in the accounting records to information reported in MyParkeon website.

**IX. 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 related comment II.

**III. INTERNAL CONTROL AND OPERATING CYCLES**

Comment 1. See current year related comment III.  
Comment 2. See current year comment III.  
Comment 3. See current year comment III.  
Comment 4. This comment has been addressed by management.  
Comment 5. This comment has been addressed by management.

**IV. WATER AND SEWER FUNDS**

Comment IV. See current year comment IV.

**V. RETAINAGE PAYABLE**

Comment V. See current year related comment V.

**VI. AVIATION FUND**

Comment VI. See current year comment VI.

**VII. CREDIT CARD PAYMENTS**

Comment VII. See current year comment VII.