



Philip J. LaTessa
City Auditor

License Function Review

July 1, 2007 through June 30, 2008

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 July 1, 2007 through June 30, 2008 was conducted. The Charter necessitates the review be conducted monthly, while the Office of the City Auditor has elected to report the results of the monthly reviews in a combined audit report covering the entire fiscal year. 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 in the Office of the City Auditor upon request. At this time, the Office of the City Auditor 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 July 1, 2007 through June 30, 2008.

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 a predetermined number of 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.

As a result of the entire staffing change that took place in the licensing division during fiscal year 2006-2007, the City Auditor recognized that there would likely be an increased amount of errors discovered with those applications processed during the following twelve month transitional period. As a result of these staffing changes, no material mathematical errors were discovered over the last five years, combined with the repetitive errors in types of licenses granted and fees collected; as noted in the following audit findings and prior Audit Reports for fiscal years 2003, 2004, 2005, 2006, and 2007, the City Auditor decided to concentrate its efforts on the current status of prior audit findings, focusing on the existence, availability, and accuracy of the license applications.

Auditor's Final Recommendation:

Please note that this recommendation has been placed in the unconventional location at the beginning of the audit due to the strong feeling of the Office of the City Auditor regarding this recommendation.

The City Auditor has seen two (2) Commissioners and approximately three (3) clerks rotate in the past six (6) years in the Licensing Division. It has been consistently impossible for any one person to correct the licensing issues that have carried forward.

Effective January 1, 2010, the Deputy Commissioner in charge of licensing will be assigned to a different department within the city, while this person has made great strides in turning Licensing around, it is of great concern that the issues will continue to go forward as new individuals attempt to discern the complicated and archaic licenses and rules that need modernization. This will be a learning curve that the city, frankly, can no longer tolerate.

Therefore, as stated in previous licensing audits, the Office of the City Auditor strongly recommends that the administration consider consolidating the licensing division under one department, and that it would be logical for the licensing function, now located in the Finance Department, to be transferred back to the City Clerk's Office. It was noted that at one time all license applications were made available through the Office of the City Clerk. The Clerk's staff issued licenses on behalf of New York State (wedding licenses and conservation licenses are examples of those issued by the City Clerk), and a Commissioner of Licensing issued the numerous City licenses. For convenience to the public, both these functions were located in the area that was identified as the Office of the City Clerk, on the second floor of City Hall.

Over time and in keeping with various reorganizations, the Commissioner of Licensing title has been downgraded to a civil service position, working under the supervision of managers in the Department of Finance. As a consequence of changes made, the Licensing function has suffered from becoming one of many important tasks under the responsibility of the Commissioner of Finance. Prior audits commented on an apparent lack of ownership of the Licensing function and made recommendations that were not responded to.

The Office of the City Auditor is again stating that better oversight of licensing is in order and envisions that the change in leadership will offer a fresh opportunity for improvement. The Office of the City Auditor anticipates that there will be a number of changes that accompany the transition from the out-going administration to the new administration coming into office in January. Reconsideration of consolidating the License function is an obvious area for re-evaluation. If the new administration is determined to not move the licensing operation to the clerk's office, it should examine how it can improve ownership over service delivery for this function.

Conclusion:

The Office of the City Auditor uncovered multiple errors regarding the types of general licenses issued and corresponding fees collected, see Findings 1-5 below, as well as deficiencies in internal controls, completeness of general licensing functions and enforcement, as addressed in the Findings 6 and 7 below. However, the Office of the City Auditor was able to determine, with reasonable assurance, that the Bingo, Games of Chance, Certificate of Use and General License activities, for the audited period, were free of material misstatements.

Over the past several years, the Office of the City Auditor has repeatedly questioned the use of the Entertainment / Exhibit license as a seemingly catch-all category, when they relate to specific activities that are covered by licenses that have already been created under various ordinances as indicated in the city charter for such events as: circuses, concerts, ice shows, musical shows, open air cultural events, professional basketball / hockey, and theater and stage productions. Unfortunately these individual licenses were not being issued during the time frame under audit, but were mistakenly categorized under the Entertainment/Exhibit license at a fee of \$55.00 per day compared to the proper fees, which range from \$10.00-\$25.00 per day.

As noted in this and prior audit reports, missing applications and incorrect licensing fees have been charged as a result of the wrong licenses being issued. Some applicants have been overcharged while others undercharged. Although the monetary amount of these 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.

Subsequent to the period under audit, the Deputy Commissioner in charge of licensing has recreated those applications that were previously missing, corrected inaccurate &/or missing fee disclosures, and updated those license applications that request bonding information, essentially addressing Findings 1-4 listed below.

Although, the Deputy Commissioner in charge of licensing has done a great deal of work to address prior audit findings, to update license applications, and to amend licensing legislation; these efforts have been restricted as authorization for changes to be implementation are contingent upon the assistance of those in other departments, such as the Media Unit and Law Department.

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 overwhelming 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.

Finding 1: Management Response

Per conversation with the Deputy Commissioner in charge of licensing, the "Adobe Writer" software program, needed to update the PDF license application forms, has finally been purchased.

After issuing the 2006-2007 final licensing audit report, in November 2009, the Deputy Commissioner in charge of licensing immediately reviewed and updated each and every license application form, for existence, proper fee amounts and bonding disclosures, in order to correct the application and fee errors listed above.

However, the amended application forms reviewed by the Office of the City Auditor were only copies of the applications that have currently been re-submitted to the City's Media Unit, to have posted to the City's web site.

Recommendation 1:

Although the applications reviewed by the Office of the City Auditor appear to be successfully corrected, the City's Media Unit has yet to get all of the amended applications posted to the city's website. As a result, the Office of the City Auditor recommends that the City's Media Unit post all of the updated licensing applications in a timely manner to the City's website. However, since this recommendation has repeatedly been made in the past with little results, the City Auditor strongly recommends that the administration take a proactive role and direct the Media Unit to immediately update the city's website to include all of the corrected license applications forms and to keep the web site as up to date as possible.

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 in November 2009.

Finding 2: Dancing and Entertainment License Errors

After reviewing the “Dancing” and “Entertainment” license applications, from our previous audits, it was discovered that the licensee’s did not always 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, many licensees 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.

Finding 2: Management Response

Per the Audit Department’s meeting with Deputy Commissioner in charge of licensing, the Dance 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.

After issuing the 2006-2007 final licensing audit report, in November 2009, the Deputy Commissioner in charge of licensing immediately updated the Dance and Entertainment license application to reflect the separate dance and entertainment fees, in an effort to ensure that the proper licensing revenue is collected in the future.

However, the amended application forms reviewed by the Office of the City Auditor were only copies of the applications that have currently been re-submitted to the Media Unit to have posted to the City’s web site.

Recommendation 2:

Now that the Dance & Entertainment licensing application have been properly updated to correctly reflect the two separate licensing fees, the City Auditor strongly recommends that the Media Unit post the updated licensing application to the City’s website as soon as possible.

Finding 3: Exhibition License Errors

In reviewing the Exhibition License applications, from our previous audits, it was discovered that a rather large percentage of the applications were either inappropriately categorized and/or over charged. As various applications should have been issued as Concert, Ice Show, Motion Picture, Musical Show, Theater and Stage Production

Licenses at a cost of \$15.00-\$25.00 per day, but were all mistakenly classified as Exhibition Licenses with a fee of \$55.00 dollars resulting in over charging the licensees by up to \$40.00 per day. Apparently these miscellaneous licenses were mistaken categorized as Exhibition licenses not already being provided for, as there were no license applications available for these miscellaneous licenses.

Finding 3: Management Response

After issuing the 2006-2007 final licensing audit report, in November 2009, the Office of the City Auditor met with the Deputy Commissioner in charge of licensing who has recreated all of the missing license applications, double checked and corrected all licensing fee amounts, and submitted the new and amended applications to the Media Unit to have posted to the City's internet site.

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 Office of the City Auditor 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.

Finding 3: Management Response (cont.)

Per conversation with the Deputy Commissioner in charge of licensing, 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.

In addition, 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, 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.

Recommendation 3:

Now that the missing licensing applications have been properly created and updated, to reflect the proper licensing fees, the City Auditor strongly recommends that the Media Unit post the updated licensing application to the City's website as soon as possible.

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.

Lastly the Office of the City Auditor, 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 also important to note that it is not the facility owner, such as Onondaga County, who pays the licensing fees; it is the event organizers who do. 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, of 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 Division 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.

Finding 4: Management Response

As 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 in charge of licensing updated the Second Hand Dealer license application to reflect the various types of second hand goods being sold. However, the amended application forms reviewed by the Office of the City Auditor were only copies of the applications that have currently been re-submitted to the Media Unit to have posted to the City's web site.

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 license application that should be used.

Finding 5: Food Vendor/Peddler License Errors

After reviewing the Food Vendor/Peddler License applications from this and previous audits, it was discovered that up to three quarters of the applications were inappropriately categorized as a “Vendor Peddler License”, when a food vendor license should have been issued.

Finding 5: Management Response

Per the Office of the City Auditor’s meeting with the Deputy Commissioner in charge of licensing, the licensing division does not have direct authority or control over individuals located in other departments, such as Parks and DPW, who are also authorized to process and issue Food, Vendor Peddler, and other miscellaneous licenses and permits.

In addition, it was also discovered in previous audits 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 audits, up to 25% were not properly documented and tracked, as the supporting documentation did not reconcile back to the monthly activity reports.

Finding 5: Management Response (cont.)

Per the Office of the City Auditor’s meeting with Deputy Commissioner in charge of licensing; in order to set up a contra, offsetting, “Hot Dog/Food Vendor Lottery” deposit account in the general ledger, the Commissioner of Finance would need to be contacted for approval.

However the Deputy Commissioner in charge of licensing feels that this issue has been resolved through the correct use of separate 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.

As a side note, the hotdog and other mobile food vendor applicants are not require to get a license if and only when, they are operating on private property, which is the case for several local food vendors throughout the city.

Lastly, it was also 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, thus undercharging the licensees.

Finding 5: Management Response (cont.)

After issuing the 2006-2007 final licensing audit report, in November 2009, the Deputy Commissioner in charge of licensing immediately reviewed and updated each and every license application form for existence and proper fee amounts, in order to correct the application and fee errors listed above in finding #1.

Finding 5: Subsequent Event

The only exception to updating and correcting the application and fee errors listed above, in Finding #1, is the validation of the “One Day Food Vendor / Special Events License”. Because the Office of the City Auditor could not find any specific information in the City Charter addressing a One Day Food Vendor / Special Events License, the Deputy Commission in charge of licensing was asked to supply supporting documentation that outlines and authorizes such one day license.

As a result, the Office of the City Auditor was directed to General Ordinance Section 14-49, Paragraphs 1-4, addressing the temporary suspension of permits by the Commissioner of Licensing and/or the Commissioner of Parks, regarding annual community events.

Although this Ordinance Section refers to suspending a vendor license due to a special event, it does not indicate the authorization or existence of a one day special event license. It does however specify that a “recognized licensed vendor who has a designated site shall have first right to bid on a special event. Said vendor shall pay an equal share of the expenses for the cost the City would incur for this event to occur, providing said vendor agrees to comply with the specifications of the Commissioner of Parks, Recreation and Youth Programs to vend at said site or location.”

As a result, the Office of the City Auditor requested additional documentation, to be provided by the Commissioner of Parks and Recreation or the Common Council supporting the creation, validation and approved fee calculation &/or schedule for a One Day Special Event License. However to date no supporting documentation has been forwarded to the Office of the City Auditor, strengthening the City Auditor’s opinion that there is no valid One Days Special Event license on the books.

Recommendation 5:

At this time, the Office of the City Auditor recommends removing the One Days Special Event licensing fee from the Food Vendor License application, until this license can be properly clarified, documented and approved by the Common Council as a separate license; so that the City can accurately track how many food vendors participate at each event and to accurately calculate the shared expense for the cost the City would incur for this event to occur, as stated in the City Charter.

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, regardless of what department those individuals are located in.

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 this and previous audits. 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 previous audits, 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 at the time, Brian Roulin, it was agreed that the Office of the City Auditor'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.

Finding 6: Management Response

Per the Office of the City Auditor's meeting with the Deputy Commissioner in charge of Licensing, the Licensing Clerk who processes almost all licensing applications has been instructed 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.

Finding 6: Management Response (cont.)

Per conversation with the Deputy Commissioner in charge of licensing, Excel spreadsheets have been created to track issued license numbers, however this information is not being recorded on the monthly activity report, but 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.

Finding 6: Management Response (cont.)

Per conversation with the Deputy Commissioner in charge of licensing, it was thought that the entire Treasury Department was considered a secured location by the external auditors and that no additional security precautions were necessary. However as previously stated above, Excel spreadsheets are now being used to track issued license numbers, and can be used to reconcile official unissued licensing documents, if necessary.

Unissued licensing documents are now being secured in the Treasury vault over night and are located in the Licensing Clerk's desk area during the day, restricting theft exposure down to internal employees only. In addition, 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.

Finding 6: Subsequent Event

After issuing the 2006-2007 Final Licensing Auditor Report, in November 2009, the Office of the City Auditor researched and verified that separate Excel spreadsheets are indeed being used to track issued license numbers, successfully addressing and removing this portion of the finding. However, the format in which this information is being tracked does not appear to be advantageous to performing an accurate reconciliation, as one is currently not being performed.

In addition, the Office of the City Auditor verified, through observation, the daily closing procedures of the licensing department and noted that official unissued licensing documents are in fact being secured in the Treasury Vault over night and are only located in the Licensing Clerk's desk area during the day, successfully restricting theft exposure down to internal employees only.

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 turnover 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 Audit Department 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.

Finding 7: Management Response

Per conversation with the Deputy Commissioner in charge of licensing, the Licensing division was not aware that quarterly and annual reporting requirements existed. After being supplied a copy of the reporting requirement, the Deputy Commissioner indicated that 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; however, the audit Department identified multiple activities that appear to be occurring that specifically require a license. As a result, the Office of the City Auditor made various inquiries regarding verification procedures that are being performed, within the Licensing Division, to identify potential licensees that are not complying with city licensing requirements.

Finding 7: Management Response (cont.)

Per conversation with the Deputy Commissioner in charge of licensing, the Licensing Clerk who processes the almost all of the license applications was never comprehensively trained on all of the various licensing options listed in the charter. However, the Deputy Commissioner has since created 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.

As far as compliance and enforcement is concerned, the Deputy Commissioner 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, the Deputy Commissioner intends to have the Licensing Clerk start researching, cross referencing, and verifying potential license applicants.

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

Finding 7: Management Response (cont.)

Per the Office of the City Auditor meeting with the Deputy Commissioner in charge of licensing, contact with the various Code, Fire and Police Ordinance Enforcement Department Commissioners has been made in an effort to better coordinate licensing compliance and enforcement efforts throughout the City.

In addition, the Police Ordinance Enforcement Division has seen a change in staff, which has open the door for a more unified working relationship by improving interdepartmental communication, cooperation and coordination.

Lastly, the interaction between the Licensing Division and other departments involved in licensing, such as DPW, Parks, Police, Fire, and Code Enforcement have improved over the last several years allowing everyone to work closer together and function 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 Office of 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 circuses, concerts, ice shows, or professional sporting events like the Syracuse Crunch hockey games.

Lastly, the licensing division should also consider performing an internet phone book search, by business type and location, to help identify additional potential licensees such as snow removal contractors, tow truck companies, and commercial waste haulers.

Conclusion:

The Office of the City Auditor uncovered multiple errors regarding the types of general licenses issued and corresponding fees collected, as addressed in the Findings 1-5 above, as well as deficiencies in internal controls, completeness of general licensing functions and enforcement, as discussed in Findings 6 and 7 above. However, the Office of the City Auditor was able to determine, with reasonable assurance, that the Bingo, Games of Chance, Certificate of Use and General License activities, for the audited period, were free of material misstatements.

Auditor Note:

The Administration, using either the Licensing Office or the Corporation Counsel's Office, should immediately work toward implementing legislative action to rescind General Ordinances that are evidently seen as unnecessary. However, since specific licenses have already 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.

The fact that inaccurate licenses and licensing fees have been 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 has significance relates to the events held in Onondaga County facilities, as discussed in Finding #3 above.

Philip J. LaTessa
City Auditor
December 30, 2009