

CITY OF SYRACUSE, NEW YORK

**Reports Required by the Single Audit Act
and Government Auditing Standards**

June 30, 2012

CITY OF SYRACUSE, NEW YORK

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	1-2
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133	3-5
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - FOR THE YEAR ENDED JUNE 30, 2012	6-9
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	10
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FOR THE YEAR ENDED JUNE 30, 2012	11-44



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Syracuse, New York as of and for the year ended June 30, 2012, which collectively comprise the City of Syracuse, New York's basic financial statements and have issued our report thereon dated March 13, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

This report does not include the results of the City School District of Syracuse, New York's testing of internal control over financial reporting or compliance and other matters that are reported on in a separate report.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the City of Syracuse, New York is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Syracuse, New York's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Syracuse, New York's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Syracuse, New York's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 12-1 through 12-3 and 12-8 through 12-10 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 12-4 through 12-7 to be significant deficiencies.

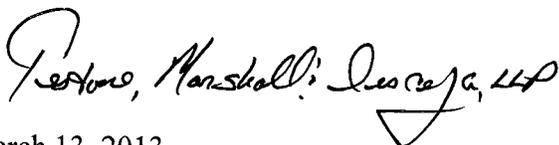
COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City of Syracuse, New York's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 12-9.

We noted certain matters that we reported to management of the City of Syracuse, New York in a separate letter dated March 13, 2013.

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

This report is intended solely for the information and use of the Mayor, Members of the Common Council, other management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



March 13, 2013
Syracuse, New York



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE AND THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

COMPLIANCE

We have audited the City of Syracuse, New York's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Syracuse, New York's major federal programs for the year ended June 30, 2012. The City of Syracuse, New York's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Syracuse, New York's management. Our responsibility is to express an opinion on the City of Syracuse, New York's compliance based on our audit.

The City of Syracuse, New York's financial statements include the operations of the City School District of Syracuse, New York (the "District"), which expended \$56,194,393 in federal awards which are not included in the schedule for the year ended June 30, 2012. Our audit, described below, did not include the operations of the City School District of Syracuse, New York because the District has a separate audit in accordance with OMB Circular A-133 and issues a separate single audit report.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major

federal program occurred. An audit includes examining, on a test basis, evidence about the City of Syracuse, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Syracuse, New York's compliance with those requirements.

As described in item 12-18 in the accompanying schedule of findings and questioned costs, the City of Syracuse, New York, did not comply with the requirement regarding reporting that is applicable to its Community Development Block Grant/Entitlement Grants (CFDA #14.218). As described in items 12-22 and 12-24 in the accompanying schedule of findings and questioned costs, the City of Syracuse, New York, did not comply with the requirements regarding reporting and special tests and provisions as it relates to the period of affordability that are applicable to its Home Investment Partnership Program (CFDA #14.239). Compliance with such requirements are necessary, in our opinion, for the City of Syracuse, New York, to comply with the requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Syracuse, New York complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The results of our auditing procedures disclosed noncompliance with those requirements, which are required to be reported in accordance with *OMB Circular A-133* and are described in the accompanying schedule of findings and questioned costs as items 12-12 through 12-17, 12-19 through 12-21 and 12-23.

INTERNAL CONTROL OVER COMPLIANCE

The management of the City of Syracuse, New York is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Syracuse, New York's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Syracuse, New York's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not

be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 12-16, 12-18, 12-19 and 12-22 through 12-26 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 12-11 through 12-15, 12-17, 12-20 and 12-21 to be significant deficiencies.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Syracuse, New York as of and for the year ended June 30, 2012, which collectively comprise the City of Syracuse, New York's basic financial statements, and have issued our report thereon dated March 13, 2013, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Syracuse, New York's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in black ink, appearing to read "Roseanne Marshall" followed by a flourish.

March 13, 2013
Syracuse, New York

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-through Grantor/Program Title	CFDA #	Identifying Number	Federal Expenditures
U.S. Department of Defense			
Direct :			
Protection of Essential Highways, Highway Bridge Approaches and Public Works: ARRA - Valley Drive Sewer Improvements	12.105	GA-LRB-06-001	\$ <u>607,686</u>
Total U.S. Department of Defense			<u>607,686</u>
U.S. Department of Housing and Urban Development			
Direct:			
Community Development Block Grants/Entitlement Grants:			
	14.218	B-06-MC-36-0108	34,750
	14.218	B-07-MC-36-0108	31,238
	14.218	B-08-MC-36-0108	89,560
	14.218	B-09-MC-36-0108	282,658
	14.218	B-10-MC-36-0108	1,974,074
	14.218	B-11-MC-36-0108	3,471,410
	14.218	B-12-MC-36-0108	<u>465,033</u>
Total Community Development Block Grants/Entitlement Grants			<u>6,348,723</u>
Community Development Block Grants/Technical Assistance Program:			
EDI Grant - Open Hand Theater	14.227	B-05-SP-NY-0537	118,344
EDI Grant - Auto Row	14.227	B-05-SP-NY-0540	49,180
EDI Grant - Elmwood Park	14.227	B-05-SP-NY-0536	<u>88,765</u>
Total Community Development Block Grants/Technical Assistance Program			<u>256,289</u>
Emergency Shelter Grants Program:			
	14.231	S-10-MC-36-007	33,464
	14.231	S-11-MC-36-007	220,309
	14.231	S-12-MC-36-007	<u>32,490</u>
Total Emergency Shelter Grants Program			<u>286,263</u>
HOME Investment Partnerships Program:			
	14.239	M-08-MC-36-0505	161,825
	14.239	M-09-MC-36-0505	665,728
	14.239	M-10-MC-36-0505	244,600
	14.239	M-11-MC-36-0505	767,304
	14.239	M-12-MC-36-0505	<u>713</u>
Total HOME Investment Partnerships Program			<u>1,840,170</u>
Community Development Block Grants/Brownfields Economic Development Initiative:			
Syracuse Neighborhood Initiative VI	14.246	B-04NINY-0031	91,764
Syracuse Neighborhood Initiative VII	14.246	B-05NINY-0049	1,412,378
Syracuse Neighborhood Initiative VIII	14.246	B-06NINY-0036	<u>166,686</u>
Total Community Development Block Grants/Brownfields Economic Development Initiative			<u>1,670,828</u>
Economic Development Initiative - Special Project. Neighborhood Initiative and Miscellaneous Grants:			
Forman Park - Connective Corridor Lighting	14.251	B-09-SP-NY-0183	<u>190,000</u>
ARRA - Homeless Prevention and Rapid Re-Housing Program	14.257	S-09-MY-36-0007	<u>857,426</u>

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-through Grantor/Program Title	CFDA #	Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development (Cont'd)			
Direct (Cont'd):			
Lead-Based Paint Hazard Control in Privately-Owned Housing:			
	14.900	NYLHB0145-09	869,623
	14.900	NYLHB0216-10	<u>1,545,029</u>
Total Lead-Based Paint Hazard Control in Privately-Owned Housing			<u>2,414,652</u>
Total Direct			<u>13,864,351</u>
Passed-through NYS Housing Finance Agency:			
Community Development Block Grants/State's Program and Non-Entitlement Grants: Neighborhood Stabilization Program 1 (NSP1)			
	14.228	1017	<u>1,765,010</u>
Total Passed-through NYS Housing Finance Agency			<u>1,765,010</u>
Total U.S. Department of Housing and Urban Development			<u>15,629,361</u>
U.S. Department of the Interior			
Direct:			
Save America's Treasures: 10/10 Preserve America Program			
	15.929	36-10-AP-5017	<u>31,239</u>
Total U.S. Department of the Interior			<u>31,239</u>
U.S. Department of Justice			
Direct:			
Public Safety Partnership and Community Policing Grants: ARRA - 09/12 COPS Hiring Recovery			
	16.710	2009-RK-WX-0652	<u>766,762</u>
Edward Byrne Memorial Justice Assistance Grant Program:			
2011 Gang Grant	16.738	BJ10632498	113,097
09/13 E.B. Memorial Justice Grant	16.738	2010-DJ-BX-1046	15,860
11/14 E.B. Memorial Justice Grant	16.738	2011-DJ-BX-3156	94,107
07/11 E.B. Memorial Justice Grant	16.738	2008-DJ-BX-0313	334
08/13 E.B. Memorial Justice Grant	16.738	2009-DJ-BX-0351	<u>29,784</u>
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>253,182</u>
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Government: ARRA - 09/13 Recovery Act E.B. Memorial			
	16.804	2009-SB-B9-2145	<u>38,214</u>
Total Direct			<u>1,058,158</u>
Passed-through Onondaga County and The Gifford Foundation:			
Project Safe Neighborhoods: 10/13 Project Safe Neighborhoods			
	16.609	2009-H2678-NY-GP	<u>17,653</u>
Total Passed-through Onondaga County and The Gifford Foundation			<u>17,653</u>
Total U.S. Department of Justice			<u>1,075,811</u>

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-through Grantor/Program Title	CFDA #	Identifying Number	Federal Expenditures
U.S. Department of Transportation			
Direct:			
Airport Improvement Program	20.106		<u>1,533,583</u>
Total Direct			<u>1,533,583</u>
Passed-through NYS Department of Transportation:			
Highway Planning and Construction Grants:			
10/14 Safe Routes to School	20.205	DO32429	71,508
Creekwalk	20.205	375299	1,415,548
Hiawatha Boulevard	20.205	375307	162,160
Interconnect Expansion (W.Genesec/Geddes)	20.205	375285	1,570,288
Tip Mill & Pave Project	20.205	375507	2,428,868
Waste Collection Route Study	20.205	375496	21,797
Eric Blvd Bridge Over Onondaga Bridge	20.205	303484	210,252
Rt. 173 Over Onondaga Creek	20.205	350145	8,232
Auto Row Bridge Improvements	20.205	375396	21,672
West Fayette St. Bridge over Onondaga Creek	20.205	375434	319,240
SU - East Genesee St. Corridor	20.205	375446	696,078
Dickerson St. Bridge	20.205	375291	110,385
W. Washington St. Bridge	20.205	375290	70,365
Midland Ave Bridge	20.205	375292	84,833
S. Salina/Valley Plaza Corridor	20.205	375436	269
Seneca Turnpike Corridor	20.205	375483	719
Park St Bridge over Ley Creek	20.205	375484	214
Plum St Bridge over Onondaga Creek	20.205	375483	250
James St. Improvements	20.205	375481	<u>240</u>
Total Highway Planning and Construction Grants/ Total Passed-through NYS Department of Transportation			<u>7,192,918</u>
Passed-through NYS Governor's Traffic Safety Committee:			
State and Community Highway Safety:			
10/11 Selective Traffic Enforcement Program (S.T.E.P)	20.600	PD-00260-(034)	37,224
10/12 Distracted Driving Enforcement	20.600	DD2010-02	<u>65,000</u>
Total State and Community Highway Safety			<u>102,224</u>
National Highway Traffic Safety Administration:			
10/11 Buckle Up New York	20.604	PD-00301-(34)	<u>52,734</u>
Child Safety and Child Booster Seat Incentive Grants:			
10/11 Child Passenger Safety	20.613	PD-00278-(034)	14,210
11/12 Child Passenger Safety	20.613	PD-00234-(034)	<u>50</u>
Total Child Safety and Child Booster Seat Incentive Grants			<u>14,260</u>
Total Passed-through NYS Traffic Safety Committee			<u>169,218</u>
Total U.S. Department of Transportation			<u>8,895,719</u>
U.S. Environmental Protection Agency			
Direct:			
Congressionally Mandated Projects:			
Water Transmission Mains	66.202	XP-98285601-0	<u>132,267</u>
Total Direct			<u>132,267</u>

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-through Grantor/Program Title	CFDA #	Identifying Number	Federal Expenditures
U.S. Environmental Protection Agency (Cont'd)			
Passed-through NYS Environmental Facilities Corporation:			
Capitalization Grants for Drinking Water State Revolving Fund:			
ARRA - GIGP Photovoltaic System - Westcott Reservoir	66.468	GIGP #21	<u>169,586</u>
Total Capitalization Grants for Drinking Water State Revolving Fund/			
Total Passed-through NYS Environmental Facilities Corporation			<u>169,586</u>
Total U.S. Environmental Protection Agency			<u>301,853</u>
U.S. Department of Energy			
Direct:			
Energy Efficiency and Conservation Block Grant Program (EECBG):			
ARRA - 09/12 Energy Efficiency & Conservation	81.128	DE-SC0002919	<u>815,825</u>
Total U.S. Department of Energy			<u>815,825</u>
U.S. Department of Health and Human Services			
Direct:			
02/10 Metro Medical Response	93.xxx	233-02-0024	<u>9,106</u>
Total U.S. Department of Health and Human Services			<u>9,106</u>
U.S. Department of Homeland Security			
Passed-through NYS Office of Homeland Security and Emergency Services:			
Disaster Grants - Public Assistance:			
Disaster Reimbursement for April/May 2011	97.036	PA-067-73000-00	<u>844,630</u>
Assistance to Firefighters Grant:			
10/12 Assistance to Firefighters	97.044	WM10176509	<u>163,348</u>
Homeland Security Grant Program:			
2007 Law Enforcement Terrorism Prevention	97.067	WM0715292	6,186
07/11 SUASP--Fire Department	97.067	C834574	6,564
07/11 SUASP-Police Department	97.067	C834574	210,000
08/11 Metro Medical Response	97.067	WM08176585	116,231
09/12 Metro Medical Response	97.067	WM09176595	36,487
09/12 Law Enforcement Terrorism Prevention	97.067	WM2009	3,424
10/13 Tech Rescue	97.067	WM10176509	<u>10,981</u>
Subtotal Homeland Security Grant Program			<u>389,873</u>
Total Passed-through NYS Office of Homeland Security and Emergency Services:			<u>1,397,851</u>
Passed-through Onondaga County:			
Homeland Security Grant Program:			
Haz Mat Vehicle-Urban Area Security Initiative	97.067		497,723
Westcott Reservoir Security	97.067	WM08834583	<u>103,387</u>
Total Passed-through Onondaga County/Subtotal Homeland Security Grant Program			<u>601,110</u>
Total U.S. Department of Homeland Security			<u>1,998,961</u>
Total Expenditures of Federal Awards			<u>\$ 29,365,561</u>

(Concluded)

CITY OF SYRACUSE, NEW YORK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of federal financial assistance programs administered by the City of Syracuse, New York, an entity as defined in the basic financial statements. Federal awards that are included in this schedule may be received from federal agencies, as well as federal awards that are passed through from other governmental agencies. Expenditures reported on the schedule of expenditures of federal awards are reported on the modified accrual basis of accounting, except for the U.S. Department of Transportation Airport Improvement Program, which is reported on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statement.

2. MATCHING COSTS

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

3. INDIRECT COSTS

Indirect costs may be included in the reported expenditures, to the extent they are included in the federal financial reports used as the source for the data presented.

4. OTHER AUDITORS

The basic financial statements of the City of Syracuse, New York, include Syracuse Industrial Development Agency (SIDA) and Syracuse Economic Development Corporation (SEDCO) as discretely presented component units. SIDA and SEDCO have fiscal years which end December 31. Separate audited financial statements are prepared by other auditors for SIDA and SEDCO and reports may be obtained by writing to City Hall, Syracuse, New York 13202. Financial assistance relating to SIDA and SEDCO are not included in the schedule of expenditures of federal awards; however, the separate audited financial statements contain the required schedules.

5. CITY SCHOOL DISTRICT OF SYRACUSE, NEW YORK

The City School District of Syracuse, New York is a component unit of the City of Syracuse, New York. Financial assistance relating to the District is not included in the schedule of expenditures of federal awards; however, a separate single audit report contains the required reports and schedules.

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part I - Summary of Auditor's Results

- The independent auditor's report on the basic financial statements expressed an unqualified opinion.
- Significant deficiencies and material weaknesses in internal control were disclosed during the audit of the financial statements.
- No instances of noncompliance material to the basic financial statements were disclosed during the audit.
- Significant deficiencies and material weaknesses in internal control over compliance with requirements applicable to major federal award programs were identified.
- The independent auditor's report on compliance with requirements applicable to two major federal award programs expressed a qualified opinion; the report on the remaining programs is unqualified.
- The audit disclosed findings which are required to be reported in accordance with Section .510(a) of OMB Circular A-133.
- Major programs are as follows:

<u>CFDA Number</u>	<u>Program Title</u>
14.218	Community Development Block Grants/Entitlement Grants
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants
14.239	Home Investment Partnerships Program
14.246	Community Development Block Grants/Brownfields Economic Development Initiative
14.900	Lead Based Paint Hazard Control in Privately-Owned Housing
20.106	Airport Improvement Program
20.205	Highway Planning and Construction Grants
97.067	Homeland Security Grant Program

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part I - Summary of Auditor's Results (Cont'd)

- A threshold of \$880,967 was used to distinguish between Type A and Type B programs, for the City of Syracuse, New York.
- The City of Syracuse, New York did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

Part II - Financial Statement Findings

Reference Number: 12-1

Financial Reporting

Criteria:

Internal controls over financial reporting should be properly designed, implemented and monitored to ensure all material transactions are recorded properly.

Cause/Condition:

There is not consistent review or oversight of the financial reporting for the various funds and departments of the City.

- The City should evaluate the impact of commitments and contingencies such as pending legal issues,
- Not all fund financial statements are reviewed on a periodic basis,
- In certain instances, transactions were not recorded accurately or in the proper fiscal year.

Effect:

There were material audit adjustments in the following funds/departments as a result of our audit:

- Capital Projects Fund
- Neighborhood and Business Development Fund
- Aviation Fund
- Syracuse Urban Renewal Agency
- Water Fund

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part II - Financial Statement Findings (Cont'd)

Reference Number: 12-1 (Cont'd)

Recommendation:

All financial information for all departments and funds should be monitored and reviewed on a timely basis. In addition, the City should evaluate its current Information Technology structure to determine if there are more effective ways to fully integrate its financial reporting. Such integration could allow for more efficient planning and oversight of City wide financial information.

Response:

The Finance department works with individual departments on an as-needed basis throughout the fiscal year to insure that transactions are recorded properly. Funds are reviewed on an ongoing basis to insure that revenues and expenditures are recorded in a proper fashion. Pending litigation is reviewed at the end of the fiscal year to be certain that any monetary liability for potential losses due to litigation is recognized properly. Great care is taken to insure that expenditures are recognized when they occur. Occasionally, the processing of expenditures is delayed if the expenditures have been questioned or are subject to subsequent review before they can be paid. These expenditures are recorded when forwarded for payment. Care is taken to record them in the proper fiscal period.

Reference Number: 12-2

Purchasing

Criteria:

Purchasing procedures for all funds and departments of the City should be in accordance with the City's purchasing manual.

Cause/Condition:

Not all funds/departments adhere to the City's purchasing procedures as outlined in the purchasing manual. There is decentralized purchasing throughout the funds and departments of the City. In addition, there is an intermunicipal agreement between the City of Syracuse and Onondaga County whereby Onondaga County procures certain goods and services on behalf of the City. The City does not monitor Onondaga County's purchasing procedures and controls.

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part II - Financial Statement Findings (Cont'd)

Reference Number: 12-2 (Cont'd)

Effect:

Expenses may be incurred without the proper documentation or approval. There were instances noted in our testing of the Neighborhood and Business Development Fund, Capital Projects Fund and the General Fund, as follows, relative to disbursements:

- Contract not provided for the related disbursement,
- Disbursements made prior to obtaining the executed contracts,
- Disbursement made prior to contract amendment being signed,
- Proof of advertisement not provided for two procurements,
- Request for proposal and application for funding not provided for related disbursement.

Recommendation:

All disbursements should be made following the City's purchasing procedures in accordance with the purchasing manual. The City should implement a process to monitor the procurement of City goods and services performed by Onondaga County, including obtaining a copy of their financial statement audit and any related reports on internal control deficiencies relative to purchasing.

Response:

Departments are directed to follow the City's purchasing policy as contained in the City purchasing manual. Special attention will be directed to the items noted in the finding.

Reference Number: 12-3

Grants Management

Criteria:

The City should have appropriate policies, procedures and controls over grants management.

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part II - Financial Statement Findings (Cont'd)

Reference Number: 12-3 (Cont'd)

Cause/Condition:

There is not proper oversight and review over grants management. There is decentralized grants management throughout the City. For example, the Department of Public Works, Department of Water, Department of Sewer, Special Grants Fund, Capital Projects Fund, Police Department, Department of Aviation, Department of Neighborhood and Business Development, as well as other funds and departments, have the authority to apply for, administer, and report to grantors. It does not appear that the City has sufficient staffing to perform this function.

Effect:

There is the possibility that grant funds will expire and not be available to the City. It is also possible that grant activity could be inaccurate and noncompliance could occur and not be detected by City management on a timely basis.

We noted several instances in which grant expenditures and the related revenue were recorded improperly and / or in the wrong fiscal year.

We further noted that the City did not expend approximately 50% of the Consolidated Local Street and Highway Improvement Program (CHIPS) for the State fiscal year (SFY) 2011-2012. New York State did allow for a roll forward of the unexpended portion to the SFY 2012-2013.

Recommendation:

The City should consider hiring or designating certain individuals who possess the appropriate knowledge, skills and authority to oversee all of the grants in all of the funds and departments of the City. This should include maintaining a detailed schedule of all grants approved with appropriate detail to ensure accurate and timely expenditure and reimbursement, compliance and reporting requirements related to all grants.

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part II - Financial Statement Findings (Cont'd)

Reference Number: 12-3 (Cont'd)

Response:

All grant applications are now filed through the City Research Department. When a grant is received, the department receiving the grant is responsible for compliance as to the expenditures charged to the grant and any filing requirements. Departments should be vigilant that grants do not expire before all funds awarded are expended in accordance with the grant document. The aviation department has engaged a service provider to monitor grants and compliance. We are aware that factors such as weather may inhibit the ability of the department to perform the work necessary in a timely fashion to earn reimbursement from a grant. While we will make our best effort to monitor all grants and their activity, it is not practical in the current economic situation to assign one person with the responsibility to monitor all grants in all funds. That responsibility should remain with the department which benefits from each grant. The department is aware of filing requirements and deadlines as they apply to each grant.

It was also noted that expenditures were booked in the wrong fiscal year. The Department of Finance provides review at the time of payment or entry as to the appropriateness of charges as to content and timeliness. It is impractical to book prior year expenditures as a prior year adjustment. In grant accounting, expenditures are booked along with corresponding earned revenues. Consequently, the net effect on fund balance is zero.

Reference Number: 12-4

Capital Assets

Criteria:

Internal controls over capital assets should be designed to effectively detect and correct material misstatements.

Cause/Condition:

There is little or no monitoring, supervision or review of capital asset records, including the annual inventory done by individual departments. In addition, the City's capital asset guide does not specify procedures for identifying impairment.

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part II - Financial Statement Findings (Cont'd)

Reference Number: 12-4 (Cont'd)

Effect:

Disposals of certain capital assets were not recorded. In certain instances, the annual inventory of capital assets was not adequately performed, reviewed or documented by the individual funds and departments of the City. Impaired capital assets may not be identified and accounted for properly.

Recommendation:

The City should ensure procedures are followed to monitor and review the annual inventory of capital assets and the capital asset records and reconciliations. Policies and procedures should be developed to address the potential impairment of capital assets.

Response:

Capital assets are recorded at the time that the asset is placed into service. Donated assets are recorded when received. Large construction projects are recorded when complete or, on occasion, when the majority of the expenditures have been recorded and the item is placed into service. The Department of Finance also receives a listing of the items that are sent to auction during the course of the year and removes them from the inventory. Impaired assets are removed from inventory or sold at auction. At the end of the fiscal year, an asset listing is sent to each department containing the items that are included in the assets reported in the financial statements. Each department is asked to review the listing and advise of any additions and deletions that may not have been noted in the inventory. Some departments have designated an individual to monitor their assets. It is not financially practical for the Finance Department to appoint an individual solely to perform physical departmental inventories. However, we will explore the possibility of using interns to conduct random physical inventories in an effort to detect deficiencies in asset disposal reporting.

Reference Number: 12-5

Payroll-Parks and Recreation Department

Criteria:

Temporary employees of the Parks and Recreation Department do not go through the standard hiring process followed by the City.

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part II - Financial Statement Findings (Cont'd)

Reference Number: 12-5 (Cont'd)

Cause/Condition:

Temporary employees are hired directly by the Parks and Recreation department. Also the head of the various bureaus adds the new employees, authorizes time cards and time sheets, and distributes payroll checks to the employees.

Effect:

The potential exists for the creation of "ghost" employees.

Recommendation:

All funds and departments should follow the established policies and procedures regarding the hiring of employees and the processing of payroll.

Response:

A meeting was held with officials from the Parks and Recreation Department and the Personnel Department. We will work together to prevent this situation from occurring and to bring seasonal help into the normal hiring process. To date, we have not determined a specific process to bring Parks hiring into the central process. Meetings will be scheduled with the Personnel Department to explore the benefits of their involvement.

Reference Number: 12-6

Parking Garages

Criteria:

Internal controls related to the City's parking garage revenue cycle should be designed to effectively prevent and detect misappropriation of assets or accounting errors.

Cause/Condition:

There are several City owned garages that are managed by third parties by contract. The City does not have appropriate monitoring and oversight over these third party garage managers.

Effect:

Misappropriation of assets and accounting errors could occur and go undetected by management.

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part II - Financial Statement Findings (Cont'd)

Reference Number: 12-6 (Cont'd)

Recommendation:

The City should continue to develop, implement and monitor policies and procedures related to all parking garages to ensure appropriate internal controls over the parking garage revenue cycle. The City should consider utilizing its contractual right to audit the books and records of the managers of the City owned parking garages.

Response:

The Department of Public Works developed a written policy to monitor the revenue stream of the parking garages. New procedures will be developed to assure proper internal control over parking garage activities and to ensure timely and proper recording of receipts from the various garages.

Reference Number: 12-7

Parking Meters

Criteria:

Internal controls related to the City's parking meters should be designed to prevent and detect misappropriation of assets or accounting errors.

Cause/Condition:

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 need to 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. The deposits that are made, are reconciled to the reports generated by the tracking mechanism, however, there is no verification that all meters are accounted for and a deposit is made for each meter.

Effect:

Misappropriation of assets could occur and go undetected by management.

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part II - Financial Statement Findings (Cont'd)

Reference Number: 12-7 (Cont'd)

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 scan a report of all parking meters that have a tracking mechanism, and match each meter to a deposit.

Response:

Meter receipts are collected by an outside provider in tamperproof containers that are taken to a bank for an independent count. The City will continue to review internal controls over parking meter coin collections.

Reference Number: 12-8

Aviation Fund

Criteria:

Internal controls over financial reporting should be properly designed, implemented and monitored to ensure transactions are recorded properly and to effectively prevent and detect misappropriation of assets or accounting errors.

Cause/Condition:

The accounting department for the Aviation Fund is relatively small. There is a lack of segregation of duties over the cash function. Check logs maintained are not reconciled to deposit slips, accounts receivable detail or the general ledger. Grant receivables are not recorded in the accounting system until a request for reimbursement is submitted. In addition, the Aviation Fund lacks a formal policy relative to the preparation and review of journal entries. During our audit, it was determined that the Aviation Fund had not performed a complete audit of the parking management company's remittances for the past two years.

Effect:

During the fiscal year, the accounting system may not accurately reflect the Fund's financial position. A new bond issuance was not recorded timely in the accounting system. Errors were discovered related to accrued bond interest and retainage payable. A grant receivable and the related revenue were not accrued in the accounting system. Material audit adjustments were required as a result of the audit findings. The potential exists for misappropriation of funds.

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part II - Financial Statement Findings (Cont'd)

Reference Number: 12-8 (Cont'd)

Recommendation:

Grant receivables and revenue should be recorded when a grant-related expenditure is incurred. Transactions should be recorded timely in the accounting system and all related reconciliations prepared and reviewed. Policies and procedures should be enhanced to address the segregation of duties issues and preparation and review of journal entries. Policies and procedures should be implemented to ensure appropriate internal controls over the parking revenue cycle at the Aviation Fund.

Response:

Grants receivables-the initial step in the recording of grants begins with the Aviation Fund's grants consultant reviewing the relative expenses and associated backup for accuracy. The Consultant upon review and preparation of the necessary documentation enters the information onto the Delphi System and forwards documentation to the Aviation Fund for final processing and request for payment. It is at this time that the Aviation Fund books the receivable on its Accounts Receivable module and awaits the payment/reimbursement from the FAA through a direct deposit to its restricted bank account. This process ensures only those payments that are eligible will be requested and booked accurately into the Aviation Fund's receivables.

Revenues-the bond funding, related expenses and its subsequent recording were delayed as noted. The staff of the Aviation Fund needed assistance to define appropriate capitalization terms for both discounts and cost of issuance. Once defined, the entry was made. The auditors made subsequent changes to those entries.

In recent years, an internal accounting procedure/step has been added that requires the Accountant II review and initial, all journal entries entered by the Fiscal Officer and vice versa.

Parking Revenue Cycle-The parking management contract audit schedule is as follows:

2007/2008	Open items (2) for which Aviation Fund is hoping to resolve in 2013
2008/2009	Audit complete
2009/2010	Audit complete
2010/2011	Audit is underway, should be finalized by May 31, 2013
2011/2012	Will initiate and request information upon completion of 2010/2011 audit

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part II - Financial Statement Findings (Cont'd)

Reference Number: 12-9

Syracuse Urban Renewal Agency

Criteria:

Internal controls over financial reporting should be properly designed, implemented and monitored to ensure transactions are recorded properly and to effectively prevent and detect misappropriation of assets or accounting errors.

Cause/Condition:

Proper internal controls over both the disbursement process and revenue process were not in place during the year. The City does not have proper oversight and review over grants management. Due to budget constraints, personnel assigned solely to perform the administrative tasks required for Syracuse Urban Renewal Agency is limited.

Effect:

We noted the following during our audit of Syracuse Urban Renewal Agency:

- Certain grant expenditures that were incurred included costs that were not in accordance with the allowable expenses detailed in the grant agreements without prior written approval by the grantor.
- Grant project lines were reallocated without prior written approval by the grantor.
- Grant expenses for one project line were over budget without prior written approval by the grantor.
- Payroll transactions were not recorded into the general ledger system on a timely basis. Payroll is processed on a bi-weekly basis; however invoices for payroll reimbursements occur on a monthly, or sometimes less frequent basis.
- For certain expenditures, there was a lag of up to nine months between when vouchers were received and when payments were made to subrecipients.
- Significant cut-off issues for both expenditures and revenues.
- Material audit adjustments relative to the above were required as a result of the audit findings.

Recommendation:

Policies and procedures should be re-established so that internal controls over financial reporting are properly designed, implemented and monitored to ensure transactions are recorded properly and to effectively prevent and detect misappropriation of assets or accounting errors. Grant expenditures should be reviewed and processed in accordance with grant agreements.

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part II - Financial Statement Findings (Cont'd)

Reference Number: 12-9 (Cont'd)

Response:

The City intends to request formal County approval for the budget changes in two of the three Community Initiative areas (Sacket Tract and Skunk City) to retroactively allow for the administrative costs associated with carrying out the programs established through this funding. Whether this approval requires a change to the Inter-municipal Agreement (IMA) will be decided by the County Law Department.

Reference Number: 12-10

Department of Neighborhood and Business Development

Criteria:

Internal controls over financial reporting should be properly designed, implemented and monitored to ensure transactions are recorded properly and to effectively prevent and detect misappropriation of assets or accounting errors.

Cause/Condition:

We noted the following during our audit of the Neighborhood & Business Development Fund:

- There is no evidence of monitoring of the loan and related escrow balances. In addition, two loan files selected for testing were not provided.
- Twenty-seven vouchers selected for testing lacked the appropriate signature of either the program manager or claimant voucher.
- Significant cut-off issues for both expenditures and revenues especially related to subrecipient vouchers.

Effect:

- Loan and escrow balances were misstated.
- The potential exists for misappropriation of funds.
- Disbursements could be made prior to authorization.
- Material audit adjustments were required as a result of the audit testing.

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part II - Financial Statement Findings (Cont'd)

Reference Number: 12-10 (Cont'd)

Recommendation:

We recommend that policies and procedures be established to monitor loan and escrow balances. All vouchers must be reviewed by a supervisor and this review should be evidenced in writing prior to the disbursement. Management should continue to maintain a listing of vouchers paid subsequent to year-end to evaluate whether they should be included in the accounting records. Management should also establish appropriate procedures and controls including monitoring subrecipients to ensure all transactions are recorded in the proper period.

Response:

The City will put procedures in place to ensure that each voucher is signed by the appropriate person from the requesting entities. These procedures will also ensure that vouchers are not paid until the initials of the program planner are present on the face of the voucher indicating that a review took place regarding the eligibility of the expenses for which reimbursement is requested. Current procedures will be enhanced to ensure that staff responsible for the discharge of loans whose affordability period has expired will communicate that to the Fiscal Division so that these are removed from the general ledger. Also, addresses with permanent liens will be isolated to allow for regular monitoring of ownership through information requests via registered mail. The four loans cited as having matured without action on behalf of the City will be addressed specifically with the mortgagors to determine whether collection should take place or whether these are refinanced under new terms. Procedures will be in place to ensure that maturing loans are dealt with proactively. The City will work with the loan holders to recreate the files that are missing in these two cases.

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part III - Federal Award Findings and Questioned Costs

Reference Number: 12-11

**U.S. Department of Transportation
Airport Improvement Program 20.106 – Program Year 2011/2012**

Criteria:

Non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act, a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6).

Cause/Condition:

The City does not have a process in place to ensure that all certified payrolls are received, reviewed and maintained as required. Certified payrolls related to certain test selections were not readily available when requested. It is noted that the certified payrolls were subsequently provided.

Effect:

Non-compliance related to the Davis-Bacon Act could occur and not be detected by the City.

Recommendation:

Policies and procedures should include monitoring to ensure that the weekly certified payrolls are received, reviewed and maintained as required by Federal compliance requirements.

Response:

Relative to “eligible” projects, whereas a consultant/engineering firm has been awarded the contract for construction inspections, it is required to do so in accordance with NYSDOT Manual of Uniform Recording Keeping (MURK). Included in that list of requirements includes “Collect and monitor weekly payrolls for Davis Bacon Act Compliance”. Although the City’s Engineering Department has final approval of these payment requests, the consulting/engineering firm should have reviewed and certified that the payrolls were presented.

Questioned Costs:

None

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 12-12

**U.S. Department of Housing and Urban Development
Community Development Block Grants/State's Program and Non-Entitlement Grants
Passed-through NYS Housing Finance Agency
Neighborhood Stabilization Program 1 (NSP1) 14.228 – Program Year 2011/2012
1017**

Criteria:

A pass-through entity is responsible for *During-the-Award Monitoring* which is monitoring the use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations and the provisions of contracts or grant agreements and that performance goals are achieved.

Cause/Condition:

The City could not provide documentation to support the monitoring of the subrecipients' use of Federal awards was in compliance with laws and regulations related to procurement.

Effect:

Non-compliance with laws and regulations related to the subrecipients' procurement could occur and not be detected by the City.

Recommendation:

The City should maintain documentation to support that they are monitoring the subrecipients' use of Federal awards as they relate to compliance with procurement.

Response:

The City concedes it has not monitored SHA as a subrecipient but has monitored the specific development project which they are a subrecipient to the City. The SHA will be added to the City's Risk Assessment tool to ensure that they will be scheduled for a monitoring visit in 2013.

Questioned Costs:

None

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 12-13

**U.S. Department of Housing and Urban Development
Community Development Block Grants/Brownfield Economic Development
Initiative 14.246 – Program Year 2011/2012
B-04NINY-0031; B-05NINY-0049; B-06NINY-0036**

Criteria:

The Grantee shall submit to the Grant Officer a progress report every six months after the effective date of the Grant Agreement. Progress reports shall consist of (1) a narrative of work accomplished during the reporting period and (2) a completed Financial Status Report - Form 269 A.

Cause/Condition:

Internal controls over reporting were not in place. The progress reports were not submitted for many of the grants within this major program.

Effect:

The City continues to be reimbursed despite the failure to adhere to the reporting requirements of this major program.

Recommendation:

Progress reports should be submitted as required in the grant agreement unless a written waiver is obtained.

Response:

Performance and progress reports for SNI projects to HUD were put on hold while the Inspector General completed its audit which was completed in January 2013. Going forward, the City intends to submit these reports along with close-out reports on an as-needed basis by HUD.

Questioned Costs:

None

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 12-14

**U.S. Department of Housing and Urban Development
Community Development Block Grants/Brownfield Economic Development
Initiative 14.246 – Program Year 2011/2012
B-06NINY-0036**

Criteria:

Grant funds are to be used for activities that are specified in the grant agreement.

Cause/Condition:

An expenditure selected for testing was initially recorded in the incorrect designated neighborhood as outlined in the grant agreement. When the adjustment was made to properly record the expenditure in the correct designated neighborhood, the budget was exceeded.

Effect:

Grant funds were used for an activity that exceeded the original grant budget within the grant agreement.

Recommendation:

The grant funds should be monitored to ensure that they are being used in accordance with the grant agreement and are within the grant budget. Amended budgets should be submitted and approval obtained by the grantor prior to incurring expenses that exceed current budgeted amounts. Vouchers should be reviewed in more detail to ensure that the expenses included are in accordance with the specifications outlined in the grant agreement and are recorded in the proper accounts.

Response:

The original SNI-8 grant agreement contained proposed budget allocations for various neighborhood projects. The City re-allocated un-used funds from one SNI-8 eligible project to another. The City will follow-up with HUD to determine if a budget amendment is necessary.

Questioned Costs:

\$25,000 per one instance.

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 12-15

**U.S. Department of Housing and Urban Development
Community Development Block Grants/Brownfield Economic Development
Initiative 14.246 – Program Year 2011/2012
B-04NINY-0031**

Criteria:

When entities are funded on a reimbursement basis, program costs must be paid for by the entity before reimbursement is requested from the Federal Government. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement (24 CFR 85.21. Paragraph (c)).

Non-Federal entities shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation). The Federal agency may extend this deadline upon request (A-102 Common Rule, § ___.23; OMB Circular A-110 (2 CFR section 215.71)).

Cause/Condition:

Federal funds were advanced before the end of the funding period prior to the expenses being incurred. The City did not request an extension for the funding period deadline prior to incurring and paying expenses.

Effect:

Expenses were incurred more than 90 days after the funding period ended.

Recommendation:

Remaining available funding should be assessed prior to the end of the grant period to ensure that there is sufficient time available to incur the expenses in accordance with the funding period specified by the Federal entity prior to receiving an advance. An extension of deadlines should be requested and received by grantor prior to incurring and paying expenses that are beyond the terms specified in the grant agreement.

Response:

The City agrees with this noted error in timing and will ensure that procedures are in place to prevent this from reoccurring in the future.

Questioned Costs:

\$49,500 per one instance.

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 12-16

**U.S. Department of Housing and Urban Development
Community Development Block Grants/Brownfield Economic Development
Initiative 14.246 – Program Year 2011/2012
B-04NINY-0031; B-05NINY-0049; B-06NINY-0036**

Criteria:

A pass-through entity is responsible for *During-the-Award Monitoring* which is monitoring the use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations and the provisions of contracts or grant agreements and that performance goals are achieved.

Cause/Condition:

There is no evidence that policies and procedures are in place to monitor this compliance requirement. Two subrecipient agreements were expired. In addition, the subrecipient monitoring reports/checklists that the City maintains as part of its documentation that subrecipient monitoring has occurred, were not provided for these expired subrecipient agreements.

Effect:

The City could not provide reasonable assurance that they performed site visits of the subrecipients in order to review programmatic records and observe operations or that they have had regular contact with the subrecipients and made appropriate inquiries concerning program activities. A subrecipient could have non-compliance with laws, regulations and the provisions of contracts or grant agreements that is not detected timely which would have a direct impact on the City.

Recommendation:

The City should maintain documentation to support that they are monitoring the subrecipients' use of Federal awards. Subrecipient agreements should be maintained and updated as needed.

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 12-16 (Cont'd)

Response:

The City agrees with this noted error and will amend the agreements with Home HeadQuarters that include sunset provisions and either extend the term of these agreements or eliminate the sunset provision all together (as was the case in all other SNI rounds). The City monitors Home HeadQuarters (HHQ) each year based on the amount of CDBG funding it receives annually from the City. Procurement policies and record keeping are part of these monitoring reviews. Going forward, the City will ensure that HHQ's SNI activities are specifically tested during these monitoring visits.

Questioned Costs:

None

Reference Number: 12-17

**U.S. Department of Housing and Urban Development
Community Development Block Grants/Entitlement Grants 14.218 – Program Year 2011/2012
B-11-MC-36-0108**

Criteria:

Costs incurred under the grant are in accordance with the principles and standards for determining allowable direct and indirect costs contained in OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments" (2 CFR part 225).

Cause/Condition:

In one selection out of sixty, a voucher included a portion of expenses that could not be supported as being applicable to this Federal program.

Effect:

Non-compliance may result in the Federal entity requesting the repayment of grant funds.

Recommendation:

Voucher requests should be reviewed in detail to ensure that only expenses that are for the grant program and are in accordance with OMB Circular A-87 are incurred. Cost allocations of direct expenses should be maintained and supported with applicable supporting documentation.

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 12-17 (Cont'd)

Response:

A portion of the worker's compensation premium that was paid by CDBG should have been paid by the City. In exchange, the City paid audit costs relating to the CDBG program. Effective with fiscal year ending June 30, 2013, the City and CDBG will allocate costs to the appropriate agency.

Questioned Costs:

None

Reference Number: 12-18

**U.S. Department of Housing and Urban Development
Community Development Block Grants/Entitlement Grants 14.218 – Program Year 2011/2012
B-10-MC-36-0108; B-11-MC-36-0108; B-12-MC-36-0108**

Criteria:

Under the Federal Funding Accountability and Transparency Act (FFATA), prime grant recipients that were awarded a new Federal grant greater than or equal to \$25,000 subsequent to October 1, 2010 are required to report subawards greater than or equal to \$25,000 by the end of the month following the month in which the prime recipient awarded the subaward.

Cause/Condition:

Internal controls related to the compliance requirements for reporting were not in place and the staff of the Department of Neighborhood & Business Development were not aware of the new compliance requirements.

Effect:

The reporting under FFATA was not performed in accordance with the compliance requirements under this Federal program.

Recommendation:

Internal controls related to the compliance requirement for reporting should be developed, implemented and monitored to ensure compliance. The sub-awards should be evaluated to ensure the required sub-awards are reported via the FFATA Subaward Reporting System (FSRS) website.

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 12-18 (Cont'd)

Response:

Based on the recommendations from this audit, the City will commence reporting to adhere to the federal transparency act as required.

Questioned Costs:

None

Reference Number: 12-19

U.S. Department of Housing and Urban Development

Community Development Block Grants/Entitlement Grants 14.218 – Program Year 2011/2012

B-06-MC-36-0108; B-07-MC-36-0108; B-08-MC-36-0108; B-09-MC-36-0108; B-10-MC-36-0108;

B-11-MC-36-0108; B-12-MC-36-0108

Criteria:

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Compliance requirements for a pass-through entity over Subrecipient Monitoring include Determining Subrecipient Eligibility, Award Identification, During-the Award Monitoring, Subrecipient Audits, Ensuring Accountability of For-Profit Subrecipients, and Pass-Through Entity Impact. Before disbursing any CDBG funds to a subrecipient, the recipient shall sign a written agreement with the subrecipient. The agreement shall include provisions concerning: the statement of work, records and reports, program income and uniform administrative requirements (24 CFR section 570.503).

Cause/Condition:

Internal controls over subrecipient monitoring were not in place. The City did not provide documentation to support that they are monitoring the subrecipients' use of Federal awards and that agreements have been obtained in accordance with compliance requirements.

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 12-19 (Cont'd)

Effect:

We noted the following during our audit of the program:

- There is no evidence that the DUNS number was obtained for eight subrecipients.
- Documentation was not provided to support that the monitoring of the subrecipients use of Federal awards was in compliance with the laws and regulations related to procurement.
- Proper review of the vouchers that were submitted by the subrecipients was not performed for nineteen selections as the vouchers were missing documentation to support the expense.
- There was no documentation that a corrective action plan was prepared or follow-up was performed in response to findings that were included in a single audit report obtained for one subrecipient.
- Five subrecipient agreements did not include all of the required provisions.

Recommendation:

Standard policies and procedures over subrecipient monitoring should be established to ensure compliance with the Program. The City should maintain documentation to support that they are monitoring the subrecipients' use of Federal awards and that subrecipient agreements include required provisions and that they have been obtained in accordance with compliance requirements. The City should re-establish the policies and procedures that are in place for monitoring to ensure consistency in the processing of subrecipient vouchers.

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 12-19 (Cont'd)

Response:

The City has developed new time sheets it will require its subrecipients to submit as part of the voucher documentation that breaks out the amount of each person's day spent on CDBG activities. Also, fringe will not be broken out as it is not required to be by HUD and backup documentation for fringe is difficult for many agencies to produce. The City vets each vouchered activity based on the federal guidelines provided by HUD. The City will look to enhance these reviews to ensure that ineligible activities are not reimbursed. The City agrees with this defect and will ensure that DUNS numbers are kept for each agency it provides funding for going forward. The City reviews each agencies audit to ensure that internal controls are such that they are able to administer federal funds in accordance with federal standards. It does not require corrective actions unless the action directly relates to the administration of federal funds. The City contends that the assistance to Home Aides was a construction subsidy for a specific upgrade to their administrative offices and did not engage in a subrecipient arrangement with them. The project was monitored to the satisfaction of the City. The City does include a review of procurement policies during their monitoring visits which are scheduled on the basis of a risk analysis which is updated annually. The City has recently enhanced its check list of items covered in the reviews that will make it more apparent to the reviewer that this issues is adequately tested.

Questioned Costs:

None

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 12-20

**U.S. Department of Housing and Urban Development
Community Development Block Grants/Entitlement Grants 14.218 – Program Year 2011/2012
B-10-MC-36-0108**

Criteria:

When CDBG funds are used for rehabilitation, the grantee must ensure that the work is properly completed (24 CFR section 570.506).

Cause/Condition:

Written policies and procedures related to monitoring the inspection of properties where reconstruction and rehabilitation has occurred are not in place. The majority of reconstruction and rehabilitation projects completed under CDBG are administered by a subrecipient who is required to maintain all inspection documents and construction contracts for audit.

Effect:

Documentation was not provided to support that pre-rehabilitation inspections were conducted in one selection.

Recommendation:

Written policies and procedures related to reconstruction and rehabilitation should be developed, implemented and monitored related to this compliance requirement to ensure that the work is properly completed.

Response:

The City performs pre-inspections to determine deficiencies to be corrected only for agencies whose development experience is limited or unfamiliar to the City. In the case of Home Headquarters (HHQ), the City's primary non-profit housing developer, pre-inspections are not required as the City's funding is generally one of many funding sources blended to write down the cost of construction. The City does require the submission of general ledger and source documentation of the costs that are paid for out of federal sources and performs site inspections during and after the project is completed.

Questioned Costs:

None

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 12-21

**U.S. Department of Housing and Urban Development
Community Development Block Grants/Entitlement Grants 14.218 – Program Year 2011/2012
B-11-MC-36-0108**

Criteria:

Projects must have an environmental review unless they meet criteria specified in the regulations that would exempt or exclude them from RROF (request for release of funds) and environmental certification requirements (24 CFR sections 58.1, 58.22, 58.34, 58.35, and 570.604). If the project is exempt or excluded, the responsible entity must document, in writing, its determination that each activity or project is exempt/excluded and meets the conditions specified for such exemption/exclusion.

Cause/Condition:

In previous years, the environmental reviews were only required to be performed on an overall basis for the City. The environmental reviews are now required to be performed, or documentation maintained of why they are not required, for each project of the City for this Federal program. If the project does not require an environmental review, a memo is prepared detailing the exemption or exclusion criteria that was met.

Effect:

In one selection out of sixty, the exemption/exclusion memo was not prepared. Non-compliance could occur and go undetected by the City which may result in the Federal entity requesting the repayment of grant funds.

Recommendation:

Policies and procedures should be developed, implemented and monitored to ensure compliance with this requirement. The City should review all projects listed in the budget and ensure that either an environmental review or an exempt/exclusion memo has been properly prepared and documented.

Response:

The City concedes that a memo was not prepared in this case and will retroactively obtain the review from its Environmental Review Officer that issues these memos.

Questioned Costs:

None

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 12-22

**U.S. Department of Housing and Urban Development
Home Investment Partnerships Program 14.239 - Program Year 2011/2012
M-10-MC-36-0505; M-11-MC-36-0505; M-12-MC-36-0505**

Criteria:

Under the Federal Funding Accountability and Transparency Act (FFATA), prime grant recipients that were awarded a new Federal grant greater than or equal to \$25,000 subsequent to October 1, 2010 are required to report subawards greater than or equal to \$25,000 by the end of the month following the month in which the prime recipient awarded the subaward.

Performance reporting requirements state that for each grant over \$200,000 that involves housing rehabilitation, housing construction, or other public construction, the prime recipient must submit Form HUD 60002 (24 CFR sections 135.3(a) and 135.90).

Cause/Condition:

Internal controls related to the compliance requirements for reporting were not in place and the staff of the Department of Neighborhood & Business Development were not aware of these reporting requirements.

Effect:

The reporting under FFATA was not performed in accordance with compliance requirements and the Form HUD 60002 reports were not prepared and submitted in a timely manner.

Recommendation:

The sub-awards should be evaluated and the required sub-awards should be reported via the FFATA Subaward Reporting System (FSRS) website. The required Form HUD 60002 should be prepared and submitted timely.

Response:

Based on the recommendations from this audit, the City will commence reporting to adhere to the federal transparency act as required. The City will provide evidence that HUD 60002 Report was completed for all projects over \$200,000.

Questioned Costs:

None

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 12-23

U.S. Department of Housing and Urban Development

Home Investment Partnerships Program 14.239 – Program Year 2011/2012

M-08-MC-36-0505; M-09-MC-36-0505; M-10-MC-36-0505; M-11-MC-36-0505; M-12-MC-36-0505

Criteria:

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Compliance requirements for a pass-through entity over Subrecipient Monitoring include Determining Subrecipient Eligibility, Award Identification, During-the Award Monitoring, Subrecipient Audits, Ensuring Accountability of For-Profit Subrecipients, and Pass-Through Entity Impact.

Cause/Condition:

There is not a formal process in place to document procedures over subrecipient monitoring. The City could not provide documentation to support the monitoring of the subrecipients' use of Federal awards was in compliance with laws and regulations related to procurement.

Effect:

Non-compliance with laws and regulations related to the subrecipients' procurement could occur and not be detected by the City. There is no evidence that the DUNS number was obtained for seven subrecipients.

Recommendation:

The City should maintain documentation to support that they are monitoring the subrecipients' use of Federal awards to ensure that the subrecipients are in compliance with requirements.

Response:

The City does include a review of procurement policies during their monitoring visits which are scheduled on the basis of a risk analysis which is updated annually. The City has recently enhanced its check list of items covered in the reviews that will make it more apparent to the reviewer that this issues is adequately tested. The City agrees with this defect and will ensure that DUNS numbers are kept for each agency it provides funding for going forward.

Questioned Costs:

None

(Continued)

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 12-24

U.S. Department of Housing and Urban Development

Home Investment Partnerships Program 14.239 – Program Year 2011/2012

M-08-MC-36-0505; M-09-MC-36-0505; M-10-MC-36-0505; M-11-MC-36-0505; M-12-MC-36-0505

Criteria:

During the period of affordability (i.e., the period for which the non-federal entity must maintain subsidized housing), for HOME assisted rental housing, the participating jurisdiction must perform on-site inspections to determine compliance with property standards and verify the information submitted by the owners no less than: (a) every 3 years for projects containing 1 to 4 units, (b) every 2 years for projects containing 5 to 25 units, and (c) every year for projects containing 26 or more units.

Cause/Condition:

There is no evidence of the policies and procedures that are in place to monitor this compliance requirement.

Effect:

Funds were provided to subrecipients under the terms that the residential units will be rented to low to moderate income tenants; however no evidence of monitoring is taking place to ensure the units are rented to low or moderate income tenants.

Recommendation:

Policies and procedures should be developed, monitored, and documented by appropriate personnel to ensure compliance.

Response:

The City will improve monitoring to ensure compliance with HOME standards.

Questioned Costs:

None

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 12-25

U.S. Department of Housing and Urban Development

Community Development Block Grants/Entitlement Grants 14.218 – Program Year 2011/2012

B-06-MC-36-0108; B-07-MC-36-0108; B-08-MC-36-0108; B-09-MC-36-0108; B-10-MC-36-0108;

B-11-MC-36-0108; B-12-MC-36-0108

Home Investment Partnerships Program 14.239 – Program Year 2011/2012

M-08-MC-36-0505; M-09-MC-36-0505; M-10-MC-36-0505; M-11-MC-36-0505; M-12-MC-36-0505

Criteria:

See financial statement finding 12-10.

Cause/Condition:

See financial statement finding 12-10.

Effect:

See financial statement finding 12-10.

Recommendation:

See financial statement finding 12-10.

Response:

See financial statement finding 12-10.

Questioned Costs:

None

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part III - Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 12-26

**U.S. Department of Transportation
Airport Improvement Program 20.106 – Program Year 2011/2012**

Criteria:

See financial statement finding 12-8.

Cause/Condition:

See financial statement finding 12-8.

Effect:

See financial statement finding 12-8.

Recommendation:

See financial statement finding 12-8.

Response:

See financial statement finding 12-8.

Questioned Costs:

None

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part IV- Status of Prior Year Federal Award Findings and Questioned Costs

Reference Number: 11-12

Status:

See current year related finding 12-20.

Reference Number: 11-13

Status:

This finding relates to U.S. Department of Housing and Urban Development – Community Development Block Grants/Technical Assistance Program cfd# 14.227. This program is not a major program for the year ended June 30, 2012, however this finding remains unchanged.

Reference Number: 11-14

Status:

See current year related finding 12-13.

Reference Number: 11-15

Status:

There were no awards expended during 6/30/12 related to this prior year finding.

Reference Number: 11-16

Status:

Management has taken corrective action.

Reference Number: 11-17

Status:

See current year related finding 12-11.

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Part IV- Status of Prior Year Federal Award Findings and Questioned Costs (Cont'd)

Reference Number: 11-18

Status:

Management has taken corrective action.

Reference Number: 11-19

Status:

Management has taken corrective action.

Reference Number: 11-20

Status:

See current year finding 12-26.

Reference Number: 11-21

Status:

See current year finding 12-25.

Reference Number: 11-22

Status:

Management has taken corrective action.