

CITY OF SYRACUSE, NEW YORK
NEW YORK STATE DEPARTMENT OF
TRANSPORTATION SINGLE AUDIT REPORT

JUNE 30, 2012

CITY OF SYRACUSE, NEW YORK

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROLS
OVER STATE TRANSPORTATION ASSISTANCE EXPENDED 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

COMPLIANCE

We have audited the City of Syracuse, New York's compliance with the types of compliance requirements described in the preliminary Draft Part 43 of the New York State Codification of Rules and Regulations (NYSCRR) that could have a direct and material effect on the state transportation assistance programs tested for the year ended June 30, 2012. The programs tested are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each program tested is the responsibility of 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.

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 Draft Part 43 of NYSCRR. Those standards and Draft Part 43 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 the state transportation assistance programs tested, has 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.

In our opinion, 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 state transportation assistance programs tested for the year ended June 30, 2012.

(Continued)

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 state transportation assistance 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 state transportation assistance programs tested in order 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 Preliminary Draft Part 43 of the NYSCRR, 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 the internal control over compliance 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 discussed below, we identified a deficiency in the internal control over compliance that we consider to be a material weakness.

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 state transportation assistance program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 12-1 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of control deficiencies, in internal control over compliance with a type of compliance requirement of a state 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 did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies, as defined above.

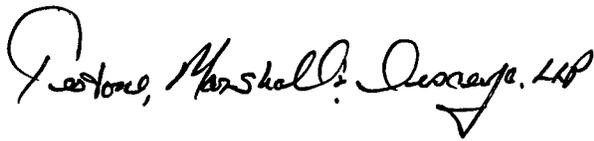
The City of Syracuse, New York's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Syracuse, New York's response and, accordingly, we express no opinion on the response.

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 Draft Part 43 of the NYSCRR. Accordingly, this report is not suitable for any other purpose.

Continued)

SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED

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 the financial statement. Our audit was performed for the purpose of forming opinions on the financial statements that comprise the City of Syracuse, New York's basic financial statements. The schedule of state transportation assistance expended is presented for purposes of additional analysis as required by Draft Part 43 of NYSCRR, 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.



March 13, 2013
Syracuse, New York

**CITY OF SYRACUSE, NEW YORK
SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED JUNE 30, 2012**

PROGRAM TITLE	CONTRACT #	REFERENCE #	EXPENDITURES
Marchiselli/Bond Match for Federal Aid Highway Program (020):			
Master Agreement	Various	Various	\$ 557,414
Matching Grants for the FAA Airport Improvement Program (030):			
Master Agreement	Various	Various	249,117
Consolidated Local Streets and Highway Improvement Program (CHIPS) (001-01):			
Master Agreement	Various	Various	<u>2,271,220</u>
Total State Transportation Assistance Expended			<u>\$ 3,077,751</u>

See Notes to Schedule of State Transportation Assistance Expended

CITY OF SYRACUSE, NEW YORK
NOTES TO SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED JUNE 30, 2012

1. **General**

The accompanying Schedule of State Transportation Assistance Expended presents the activity of all financial assistance programs provided by the New York State Department of Transportation and administered by the City of Syracuse, New York.

2. **Basis of Accounting**

The accompanying Schedule of State Transportation Assistance Expended is presented using the accrual basis of accounting for the FAA program and the modified accrual basis of accounting for the Highway Programs. The amounts reported as expenditures of State Assistance were obtained from the accounting records utilized to record activity for the applicable programs and periods.

3. **Matching Costs**

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

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

Part I. Summary of Audit Results:

Internal control over state transportation assistance expended:

- A material weakness was identified as item 12-1.

Type of auditor's report issued on compliance for programs tested:

- Unqualified

Identification of State Transportation Assistance Programs Tested:

- Marchiselli/Bond Match for Federal Aid Highway Projects (020)
- Matching Grants for the FAA Airport Improvement Program (030)
- Consolidated Local Streets and Highway Improvement Program (CHIPS) (001-01)

Part II. State Assistance Findings and Questioned Costs

Reference Number: 12-1

Matching Grants for the FAA Airport Improvement Program (030)

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.

(Continued)

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

Part II. State Assistance Findings and Questioned Costs (Cont'd)

Reference Number: 12-1 (Cont'd)

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.

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 Airport.

Response:

Grants receivables- The initial step in the recording of grants begins with the Airport's grants consultant reviewing the relative expenses and associated backup for accuracy. The consultant, upon review and preparation of the necessary documentation, enters information onto the Delphi System and forwards documentation to the Airport for final processing and request for payment. It is at this time that the Airport 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 Airport's receivables.

Revenues- The bond funding, related expenses and its subsequent recording were delayed as noted. The airport staff 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 to review and initial, all journal entries entered by the Fiscal Officer and vice versa.

(Continued)

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

Part II. State Assistance Findings and Questioned Costs (Cont'd)

Reference Number: 12-1 (Cont'd)

Response: (Cont'd)

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

2007/2008	Open items (2) for which Airport 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 10/11 audit

Questioned Costs:

None

Part III. Status of Prior Year State Assistance Findings and Questioned Costs

Reference Number: 11-1

Status: See current year related finding 12-1.

Reference Number: 11-2

Status: Management has taken corrective action.

(Concluded)