



# City of Ithaca

## Financial Operations

### Report of Examination

Period Covered:

January 1, 2010 — April 14, 2011

2011M-194



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

May 2012

Dear City Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and City governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the City of Ithaca, entitled Financial Operations. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller  
Division of Local Government  
and School Accountability*



# State of New York Office of the State Comptroller

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## EXECUTIVE SUMMARY

The City of Ithaca (City) has approximately 30,000 residents and is located within Tompkins County. The ten-member Common Council (Council) is the City's legislative branch. The Mayor is the City's chief executive officer and the Controller is in charge of administering the City's fiscal affairs. The City Charter governs City operations and outlines the powers and duties of the Council, Mayor, Controller and Chamberlain. The City's 2011 general fund budget totaled \$49.2 million and was funded primarily by property taxes, sales tax and State aid. The Chamberlain's Office collects money directly for parking tickets, parking permits and trash tags. They also account for money collected by the youth bureau, Cass Park, parking garages and the golf course. Revenues from these sources total \$3.9 million per year.

### **Scope and Objective**

The objective of our audit was to review selected cash receipts processes and cash disbursements for the period January 1, 2010 to April 14, 2011. We extended our scope to July 13, 2011 for trash tag testing. Our audit addressed the following related questions:

- Did the Chamberlain ensure certain<sup>1</sup> money received was properly deposited?
- Did the Controller approve all payments made by check?

### **Audit Results**

The Chamberlain's Office collects money directly for parking tickets, parking permits and trash tags, and from other departments for various purposes. However, the Chamberlain cannot be sure that all moneys owed to the City are collected and deposited. Certain revenue is not reconciled to available supporting documentation, adjustments are made without review or in some cases without supporting documentation, and cash receipts are voided without explanations. In addition, nine of the 30 parking ticket adjustments we reviewed, totaling \$135, lacked support showing the reason for the adjustment. The Chamberlain did not maintain sufficient information to verify that all money was collected and deposited for parking tickets, parking permits and trash tags. As a further example, although annual revenues from the parking garages total more than \$500,000 and more than \$200,000 from the golf course, no one verifies that all moneys due are collected and remitted to the Chamberlain. As a result, there is an increased risk that not all moneys due to the City will be received and deposited.

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<sup>1</sup> We reviewed the moneys collected for the following areas: parking tickets, parking permits, trash tags, youth bureau, Cass Park, parking garages and the golf course.

The Controller did not approve all payments made by check. During our audit period, 1,700 claims totaling \$86.5 million<sup>2</sup> were paid even though they were not listed on a normal warrant. We sampled 30 of these claims totaling \$1.6 million and found that 18 claims were individually signed by the Controller or his deputy to indicate audit and approval. The remaining 12 claims (40 percent) totaling \$58,000 lacked the original signature of the Controller or his deputy to indicate audit and approval. Although we found these 12 claims for payment to be appropriate expenses of the City, there is a heightened risk that payments will not be made for legitimate City purposes, placing taxpayer dollars at risk of loss, misuse, or abuse.

### **Comments of Local Officials**

The results of our audit and recommendations have been discussed with City officials and their comments, which appear in Appendix A, have been considered in preparing this report. City officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

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<sup>2</sup>Some of these claims may not need to be on a warrant (items such as transfers and debt payments); however, the amount and number of claims could not be determined in an efficient manner.

# Introduction

## Background

The City of Ithaca (City) has approximately 30,000 residents and is located within Tompkins County in central New York. The ten-member Common Council (Council) is the City's legislative branch. The Mayor is the City's chief executive officer and the Controller is in charge of administering the City's fiscal affairs. The City Charter governs City operations and outlines the powers and duties of the Council, Mayor, Controller and Chamberlain.

The Mayor is responsible for supervising, directing and controlling the administration of all City Departments. The Controller is responsible for the City's finances. The City employed a Deputy Controller and an accounts payable clerk to assist the Controller with the administration of the City's finances. The Chamberlain is responsible for the custody, receipt and disbursement of the City's money.

The City's 2011 general fund budget totaled \$49.2 million and was funded primarily by property taxes, sales tax and State aid. The City provides services to its residents including general government support, police and fire protection, street maintenance, parks and recreation programs, and water, sewer and refuse service. The Chamberlain's Office collects money directly for parking tickets, parking permits and trash tags. They also account for money collected by the youth bureau, Cass Park, parking garages and the golf course. Revenues from these sources total \$3.9 million per year.

## Objective

The objective of our audit was to review selected cash receipts processes and cash disbursements. Our audit addressed the following related questions:

- Did the Chamberlain ensure certain<sup>3</sup> money received was properly deposited?
- Did the Controller approve all payments made by check?

## Scope and Methodology

We examined certain cash receipts and disbursements for the period January 1, 2010 to April 14, 2011. We extended our scope to July 13, 2011 for trash tag testing.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such

<sup>3</sup> We reviewed the moneys collected for the following areas: parking tickets, parking permits, trash tags, youth bureau, Cass Park, parking garages and the golf course.

standards and the methodology used in performing this audit are included in Appendix B of this report.

**Comments of  
Local Officials and  
Corrective Action**

The results of our audit and recommendations have been discussed with City officials and their comments, which appear in Appendix A, have been considered in preparing this report. City officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

The Council has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of the General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the City Council to make this plan available for public review in the City Clerk's office.

## Cash Receipts

The City's Charter provides that the Mayor is responsible for the general supervision of the City's financial systems. The Controller is responsible for the development of policies to safeguard the City's financial interests to the fullest extent. The Chamberlain is responsible for the custody and receipt of City moneys, including ensuring that all moneys paid to her Office are deposited in a timely and accurate manner. The Chamberlain's Office collects money directly for parking tickets, parking permits and trash tags. They also account for money collected by the youth bureau, Cass Park, parking garages and the golf course. Revenues from these sources total \$3.9 million per year.

For the departments we reviewed, the Chamberlain cannot be sure that all moneys owed to the City are collected and deposited due to a lack of sufficient controls in her office, and a lack of adequate information from and controls within the other City departments.

Chamberlain's Office Collections — Revenues collected directly by the Chamberlain's office for parking tickets, parking permits and trash tags total approximately \$1.5 million per year. Controls are inadequate, as follows:

- Parking Tickets — Employees who collect fines for parking tickets can make adjustments without any review of the propriety of these adjustments. As a result, we tested 30 parking ticket adjustments and found that nine totaling \$135 lacked support showing the reason for the adjustment. We also found that the Chamberlain did not maintain sufficient information to verify that all parking tickets issued were accounted for, and that all money was properly collected and deposited.<sup>4</sup>
- Parking Permits and Trash Tags — The Chamberlain did not maintain sufficient information to verify that all parking permit cards and trash tags that were purchased from printers were sold to customers for services. Specifically, no one tracks parking permit cards and trash tags to account for them as issued and paid for, or whether they are still in the City's inventory.

<sup>4</sup> This includes money collected by the Chamberlain Office's employees and through the online vendor.

Departmental Collections — The Chamberlain could not verify that all moneys that should have been collected by departments were collected and deposited because the Mayor and Controller did not require the departments to submit adequate support along with the moneys remitted. We audited the moneys collected by four<sup>5</sup> of the 11 departments within the City. Revenues from these four departments totaled approximately \$2.4 million for the 2010 fiscal year. Departmental controls were generally weak, as follows:

- Youth Bureau — Forty-nine cash receipts totaling nearly \$13,000 were voided without any documented support or authorization. In addition, although twelve credit card refunds we reviewed totaling \$546 were properly approved by the Director, adequate supporting documentation was not sent to the Chamberlain.
- Cass Park — Thirty-two cash receipts totaling nearly \$1,600 were voided without any documented authorization. Again, the Chamberlain did not receive adequate documentation supporting credit card refunds issued by Department employees.
- Parking Garages — Although annual revenues total more than \$500,000<sup>6</sup> no one verifies that all money due for daily parking is collected and remitted to the Chamberlain. This is because sufficient information is not available to track the number of daily tickets issued for the use of parking facilities.
- Golf Course — Although annual revenues total more than \$200,000, the Chamberlain did not review the membership stubs to determine if all of the stubs are accounted for or if the employees at the golf course charged the proper rates for memberships.

For the areas we audited, the lack of sufficient controls in the Chamberlain's office, and the lack of adequate information and controls within the other City departments, increases the risk that not all moneys due to the City will be received and deposited.

## Recommendations

1. The Mayor and Controller should require someone in the Chamberlain's office to review the support for parking ticket adjustments to ensure they are proper.

<sup>5</sup> The Departments were selected based on revenues and controls over the collection process.

<sup>6</sup> This figure excludes parking garage revenue from parking permits that are sold at the Chamberlain's office.

2. The Mayor and Controller should require the Chamberlain to maintain sufficient information that can verify that all parking tickets issued are accounted for and that all money is properly collected and deposited.
3. The Mayor and the Controller should require the Chamberlain to track parking permit cards and trash tags and account for them as issued and paid for, or whether they are still in the City's inventory, to help ensure all money is collected and deposited.
4. The Mayor and Controller should require:
  - The Department heads to submit adequate support to the Chamberlain's office regarding moneys collected or adjustments made such as voids or refunds
  - The youth bureau and Cass Park to void receipts only when there is documented support and approval
  - The youth bureau to send documentation supporting credit card refunds to the Chamberlain
  - The parking garages to track the number of daily tickets issued
  - The golf course to review for completeness of the memberships and accuracy of the rates charged.

## Cash Disbursements

The Controller is responsible for auditing all payrolls, bills, claims and demands against the City, upon certification by the appropriate department heads that the amounts are due and unpaid. The Controller is responsible for preparing, signing and transmitting to the Chamberlain an order (warrant) directing the Chamberlain to pay the compensation due showing the names of claimants, the amounts approved, and the funds chargeable therewith.

One thousand seven hundred claims totaling \$86.5 million were paid by the Chamberlain even though they were not listed on a warrant. In some instances, the claims were not submitted to the Controller for audit and approval.

Claims — There were approximately 7,200 claims paid during our audit period totaling \$92.8 million.<sup>7</sup> Approximately 1,700 of the claims totaling \$86.5 million<sup>8</sup> were not listed on normal warrants.<sup>9</sup> We sampled 30 of these claims totaling \$1.6 million and found that 18 claims were individually signed by the Controller or his deputy to indicate audit and approval. The remaining 12 claims (40 percent) totaling \$58,000 lacked the original signature of the Controller or his deputy to indicate audit and approval. We found these 12 claims for payment to be appropriate expenses of the City.

In addition, claims were not being sent to the Controller for audit and approval for two reasons. First, the accounts payable clerk told us she did not provide the Controller with some of the claims for utilities, Council-approved contracts and employee travel. Instead, she applied the Controller's signature to these claims, using a rubber stamp, and forwarded them directly to the Chamberlain for payment. Second, the Chamberlain's office could write checks for refunds to customers out of the operating fund checking account without providing the claims to the Controller for audit and approval. Because the Controller can be bypassed in the disbursement processes, the Controller has no means to verify that he receives all claims prior to payment.

<sup>7</sup> We reviewed bank statements, checks and cash disbursement journals to assess the reliability of the records and identify disbursements for sampling. Approximately 5,500 claims totaling \$6.3 million were listed on warrants. We selected 10 claims totaling \$59,500 and verified that they were signed by the Controller or his deputy to indicate audit and approval.

<sup>8</sup> Some of these claims may not need to be on a warrant (items such as transfers and debt payments); however, the amount and number of claims could not be determined in an efficient manner.

<sup>9</sup> Normal warrants are those for the Department of Public Works, Fire Department or Common Council.

Payrolls and Manual Checks — Similarly, the Controller has no means to verify that all payrolls and manual checks from non-operating fund bank accounts are submitted for audit prior to payment. We reviewed gross payrolls and manual checks totaling \$3.3 million to determine if they were audited and approved by the Controller and found no material discrepancies. Absent a means to verify that the Controller receives all claims and payrolls, the Controller and Chamberlain cannot be sure that all payments are for legitimate City purposes. This places taxpayer dollars at risk of loss, misuse or abuse.

## **Recommendations**

5. The Chamberlain should not pay claims unless they are listed on warrants as having been audited and approved by the Controller.
6. The Controller should include all claims that have been audited and approved on the warrants that he sends to the Chamberlain to authorize payment.
7. The accounts payable clerk should submit all claims for utilities, Council-approved contracts and employee travel to the Controller for audit and approval. The accounts payable clerk should discontinue the practice of using a rubber stamp to apply the Controller's signature to claims.
8. The Chamberlain's office should prepare claims for refunds to customers and submit them to the Controller for audit and approval prior to payment.
9. The Controller should track information to ensure the Chamberlain does not pay payrolls or issue manual checks unless the supporting documentation has been audited and approved by the Controller.

**APPENDIX A**  
**RESPONSE FROM LOCAL OFFICIALS**

The local officials' response to this audit can be found on the following pages.



## CITY OF ITHACA

108 East Green Street Ithaca, New York 14850

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OFFICE OF THE MAYOR • SVANTE L. MYRICK

Telephone: 607/274-6501 Fax: 607/274-6526

April 24, 2012

H. Todd Eames, Chief Examiner  
Office of the State Comptroller  
State Office Building – Room 1702  
44 Hawley Street  
Binghamton, NY 13901-4417

Dear Mr. Eames:

The City of Ithaca wishes to thank the New York State Comptroller's Office for completing a thorough review of our receipt and disbursement processes and we are thrilled that they have found no major errors and no evidence of malfeasance. We very much appreciate the expert analysis of our operations by the Comptroller's Office. The staff of the Finance Department of the City of Ithaca takes its fiduciary responsibilities to the taxpayers of the City very seriously and we appreciate the recommendations presented to improve the processes that allow us to fulfill our responsibilities. While we feel we have excellent internal controls in place for cash receipts and cash disbursements, there is always room for improvement.

All City departments continue to approach their responsibilities with fewer resources. A great deal of thought and effort has been expended to make sure that, when review of each individual transaction is not feasible, duties are separated as such that no individual has complete control of all aspects of the receipt or disbursement of funds. The individual who routinely processes vouchers for payments cannot sign checks; those who collect money at the counter do not reconcile the daily deposit of funds collected at the counter. Controller's office staff prepares and authorizes payments; the Chamberlain's office staff issues the checks. Wherever possible, the recommendations of the State Comptroller's office will serve to strengthen those controls. In some cases, we have already made improvements to controls as recommended by the State and in other cases we will have to do a cost/benefit analysis of the controls in place to determine if we can afford to make additional changes. In all cases, we have controls in place that have been implemented over time and adjusted as necessary to reduce the risk of loss or misappropriation of public money to the greatest extent possible. In fact, the State auditors, while finding some areas of weakness in certain controls, found no instances of misuse, material discrepancies or misappropriation of funds in any of the areas that they audited.

We have briefly outlined our responses to each of the nine audit recommendations as follows:

## Cash Receipts:

1. Parking Ticket Adjustments - Two adjustments are performed in the Chamberlain's office without additional City Court review. City Chamberlain's office staff may dismiss certain violations where the City Judge has indicated she will always dismiss the ticket. In these cases, the documentation the Judge would require is attached to the ticket, and the City Chamberlain approves the adjustment. The other adjustment is done to waive late payment penalties for tickets where the payment was postmarked before the due date but processed after the payment due date. Staff had been saving postmarks and attaching them to the ticket payment when processing partial payments, to prove to our customers that the payment was in fact late. Going forward, staff will also save postmarks to prove the payment was timely. In addition, the City Chamberlain will perform a test on selected batches of payments on a monthly basis to ensure that documentation and/or appropriate approvals are attached to those tickets that have been adjusted.
2. Accountability of Parking Tickets Issued - The City Chamberlain will review or cause to be reviewed the parking tickets entered in the collection systems for consistency in the numbering of tickets, both within the month and from one month to the next.
3. Parking permits - Current parking garage software does not give us the reports necessary to reconcile valid parking permits to parking permit sales and the addition of new parking lot equipment and software is currently cost prohibitive. The Chamberlain will review or cause to be reviewed a selection of valid parking permits on a monthly basis, tracing the payment back to General Ledger and the deposit.

Trash Tags - Bulk vendor sales are billed, and these sales have always been reviewed. The process of verifying individual sales at the counter was changed in response to other auditors, but issues relating to refunds and credit of un-used tags made reconciliation difficult. Those issues have been resolved, and a monthly reconciliation of inventory to deposited sales is being completed for each individual who sells trash tags.

4. Review and Substantiation of Adjustments, Voids and Refunds - The Chamberlain's office will review voided credit card payments for appropriate documentation and approval. We will continue to evaluate software and equipment solutions that will provide support for routine deposits, such as current plans to install [REDACTED] software at GIAC to track payments for programs.

Tracking of Daily Parking Garage Tickets - Each day, the gates at the parking garages are opened when the parking structure is not attended. Opening the gates

accommodates our customers, as closed gates restrict egress. Tracking the tickets issued when customers enter the garages will not provide auditable information as long as a customer can leave without surrendering his or her ticket. New hardware and software options, such as pay in lane and more pay stations will offer us a better opportunity to “close the system,” but to integrate such equipment and software into the current garage structures will cost hundreds of thousands of dollars, and will have to be evaluated for return on investment. In the meantime, we will continue to review and require documentation of all non-paid exits from the garages.

### **Cash Disbursements:**

5, 6 and 7.

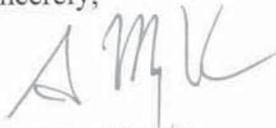
A) The Chamberlain should not pay claims unless they are listed on warrants as having been audited and approved by the Controller.

B) The use of a rubber stamp approval by the Accounts Payable Coordinator should be discontinued - The majority of our payments are made through the warrant process. However, many of our payments cannot go through the warrant process due to timing of payment issues. The warrant process can take up to three weeks to complete. While this works fine for most of our payments, it does not work well for many of our time sensitive payments such as debt service, payroll, utilities, some contract payments, some travel payments and emergency payments. Even if these payments do not go through the warrant process, they are still reviewed and approved by either the Controller’s Office or the Chamberlain’s Office. Payroll, debt service and emergency payments are all approved by the Controller. All travel payments are pre-approved by the Controller’s Office. All contracts are approved by the Controller’s Office and then payments are monitored by the Accounts Payable Coordinator. Only some recurring utility bills are not approved by the Controller, but are reviewed and approved by the Department Heads and the Accounts Payable Coordinator. The Coordinator uses a rubber stamp signature to approve these types of invoices. These invoices are reviewed monthly by the Controller for irregularities. In addition, the auditors found that 12 claims totaling \$58,000 did not have the Controller’s original signature. After review of the 12 claims, 5 were utility payments totaling \$46,871 which were rubber stamped approved as per current practice. The other 7 claims were for other travel or miscellaneous fees which were also rubber stamped as per our current practice. While we feel we have reduced the risk of any misuse of funds with our current practice, we will examine the situations where a rubber stamp is used for approval and determine if an original signature will improve the current controls in place and further reduce the risk of possible misuse. We will also review the claims not included in the warrant approval process and determine if any other claims can be included in the warrant. However, many of these claims cannot be made within the warrant approval process without incurring additional cost or penalties to City operations, thereby increasing the cost to the taxpayer.

8. The Chamberlains Office should prepare claims for refunds to customers and submit them to Controller for approval for approval prior to payment - The Chamberlain's office has always submitted all claims for refunds to customers to the Controller's department for entry in the accounts payable system, and for signature. The Controller's rubber stamp approval has been accepted as authorization to pay the claim, as the Chamberlain's office has no access to it. Again, we feel the current process is sufficient to reducing the risk of fund misuse. However, we will examine the current process and come up with a system which improves the approval control process.
9. The Controller should track information to ensure the Chamberlain does not pay payroll's or issue manual checks unless supporting documentation has been approved by the Controller - Our current review and approval process in place for payroll and manual checks has been recently adjusted to ensure all payroll's are approved by the Controller's Office. Manual checks are only paid if they have the approval of the Controller's Office.

Again, we thank the State Comptroller's Office for performing a risk analysis on the City's operations and for recommending improvements to some of our controls. We will continue to review all city operations and make internal control adjustments where necessary to improve our operating procedures. Due to years of budget reductions driven by the current economic state, our resources to perform the operations of the City have become more limited. However, we continue to provide and maintain internal controls which limit the risk of misuse or misappropriation of public monies to the greatest extent possible. This is reflected in this State audit report where no instances of misuse or misappropriation of funds were found. We are proud to provide services for our taxpayers in these challenging times and still provide a quality service that the public can rely on and that the taxpayer can trust that the public funds are used appropriately and efficiently.

Sincerely,



Svante L. Myrick  
Mayor

## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

To accomplish our objective, we interviewed City officials and employees, tested selected records and transactions, and examined pertinent documents for the period January 1, 2010 to April 14, 2011. We extended our scope to July 13, 2011 for trash tag testing. Our examination included the following:

#### Cash Receipts

- We reviewed 30 parking ticket adjustments totaling \$655 to determine if they were supported and appropriate. We selected every 300th adjustment from a total population of 9,900 adjustments made during our audit period.
- We attempted to perform a reconciliation of the trash tags by comparing the number of trash tags purchased by the City during fiscal years 2010 and 2011 to the amounts recorded in the accounting system as sold and the number of tags still available for sale at the City.
- We judgmentally selected 10 vendors that purchase trash tags for resale. Our sample was selected by choosing vendors who frequently ordered trash tags. We traced trash tag disposal orders to the accounting system to determine if the trash tags ordered were paid for and recorded in the system.
- In the youth bureau, we selected 15 enrollees from various program rosters by selecting two enrollees from programs with 25 or more enrollees and one from those with 25 or fewer enrollees. We traced each enrollee's payment activity to ensure that payments were recorded as received and that voids were not performed after the payments were received.
- Employees in the youth bureau voided 49 transactions totaling \$12,962. We selected a sample of 10 voided transactions totaling \$9,000 and traced to supporting documentation for appropriateness. Our sample was selected using mostly high dollar voids.
- We selected one month (July 2010) of credit card refunds at the youth bureau to verify if those refunds were approved by the Director or Deputy Director. We selected July 2010 because it had the highest number of refunds within our audit period.
- Cass Park employees voided 32 transactions totaling \$1,600. We selected a sample of two transactions that were voided totaling \$1,210 and traced to supporting documentation for appropriateness. Our sample was selected using the largest dollar voids.
- We compared the validated parking garage tickets stubs for one day to the parking booth cash register tape to ensure that all transactions listed on the register tape were supported by ticket stubs. Our sample was selected by picking one day from the month of February 2011 because the parking tickets were bundled together (most other days the tickets were scattered throughout the box).

- We selected four days in a non-biased manner and compared cash recorded on the parking lot cash register tapes to the parking lot attendant's daily cash count sheets and to the City's accounting system to verify that the amounts collected were recorded.
- We performed a trend analysis of daily receipts collected at each parking garage for the month of March 2011 because it was the most recently completed month within our audit period.
- We reviewed the sequence integrity of the golf memberships sold in 2010 and the first golf memberships sold during 2011. Then, for all of 2010 and one day in 2011 totaling \$70,000, we compared the membership stubs issued to the register tapes to determine if they were properly charged, collected and deposited.
- We analyzed the rates charged for golf memberships for all of 2010 and 2011. We compared the rates per the membership stubs to the Board of Public Work's approved membership rates. We quantified how much revenue was forgone by comparing the cheapest membership rate for the given category (individual, couples, family) to the actual rate charged to the customer.

#### Cash Disbursements

- We reviewed the bank statements for the operating and payroll checking accounts from January 2010 to March 2011 for duplicate checks and checks that were out of sequence.
- We reviewed the cash disbursements journal for our audit period for check sequence integrity and followed up with City officials as necessary.
- We compared the vendor names and amounts for 50 checks totaling \$822,000 listed in cash disbursements journals (total population of 7,200 checks totaling \$92.8 million) to the canceled check images on the operating fund checking account bank statements. We selected the first and last check from each disbursement journal and the first check on the fifth page of each journal with the exception of April 2011. For April 2011, we selected the first check on the first five pages of that month's cash disbursement journal.
- We selected a non-biased sample of 10 claims from approved warrants totaling \$59,500 from a total population of 5,500 totaling \$6.3 million to determine if they were signed by the Controller or his deputy to indicate audit and approval. We also traced these claims from approved warrants to cash disbursement journals to ensure the vendor names and amounts did not differ from the approved warrants. Our sample was selected by first reviewing the warrant to ensure that the Controller approved it and then selecting vendors in a non-biased manner.
- We selected a sample of 30 claims totaling \$1.6 million from cash disbursement journals from a population of 1,700 totaling \$86.5 million to determine if they were signed by the Controller or his deputy to indicate audit and approval. We selected these because they were not listed on normal warrants, and therefore were more likely to be processed without the Controller's knowledge.<sup>10</sup> We selected the first two disbursement journals in each month that had claims

<sup>10</sup> Normal warrants are those for the Department of Public Works, Fire Department or Common Council.

that were not on normal warrants. Thereafter, we selected the first claim on the first page of these disbursement journals. If a vendor name on a selected claim was the same as the vendor name for a claim selected for another month (within the same fiscal year) we selected the next claim on the page. If a claim was approved with a signature stamp, we reviewed the claim for adequate support and appropriateness.

- We compared gross payrolls totaling \$2.4 million submitted by various Departments to the final payrolls processed by the payroll clerk. We traced gross payroll amounts to the earnings proof summaries and the total checks issued (based on the earnings proof summaries) to the check registers to determine if the amounts the department heads approved were the amounts issued, excluding direct deposits.
- We performed a sequence integrity test on the payroll registers for three months (selected by a non-biased approach) to determine if there were any checks written in between the payrolls.
- We traced 15 manual checks images totaling \$902,000 from non-operating fund bank account statements to determine if the supporting documentation was audited and approved by the Controller.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## APPENDIX C

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**APPENDIX D**  
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**DIVISION OF LOCAL GOVERNMENT**  
**AND SCHOOL ACCOUNTABILITY**

Steven J. Hancox, Deputy Comptroller  
Nathalie N. Carey, Assistant Comptroller

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**BINGHAMTON REGIONAL OFFICE**

H. Todd Eames, Chief Examiner  
Office of the State Comptroller  
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