

CITY OF BINGHAMTON

AUDITORS' REPORT ON  
AUDIT OF FEDERAL FINANCIAL  
ASSISTANCE PROGRAMS

DECEMBER 31, 2010

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## 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

Honorable Mayor and Members of City Council  
City of Binghamton, New York

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 BINGHAMTON as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 5, 2012. We expressed an adverse opinion on the City's Statement of Net Assets and Statement of Activities because the City had not recorded general infrastructure assets. Except as discussed in the preceding sentence, 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.

### Internal Control Over Financial Reporting

Management of the City of Binghamton, 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 Binghamton's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Binghamton's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Binghamton'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.

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 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 to be material weaknesses: 2009-01, 2009-02, 2009-03, 2010-01, 2010-02, and 2010-04.

# Piaker & Lyons

City of Binghamton

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 deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency: 2010-03.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Binghamton'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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

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

  
PIAKER & LYONS, P.C.

Binghamton, New York  
June 5, 2012

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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 IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and Members of City Council  
City of Binghamton, New York

**Compliance**

We have audited the compliance of the CITY OF BINGHAMTON 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 its major federal programs for the year ended December 31, 2010. The City of Binghamton'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 Binghamton's management. Our responsibility is to express an opinion on the City of Binghamton'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 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 Binghamton'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 Binghamton's compliance with those requirements.

In our opinion, the City of Binghamton 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 December 31, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2009-04, 2010-05, 2010-06, and 2010-07.

City of Binghamton

### Internal Control Over Compliance

Management of the City of Binghamton is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Binghamton's internal control over compliance with the requirements that could have a direct and material effect on a major federal program 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 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 Binghamton's internal control over compliance.

*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 combination of control 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### 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 Binghamton as of and for the year ended December 31, 2010, and have issued our report thereon dated June 5, 2012. In our report, we expressed an adverse opinion on the City's Statement of Net Assets and Statement of Activities because the City had not recorded general infrastructure assets. In our opinion the remaining financial statements present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Binghamton, New York, as of December 31, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

# Piaker & Lyons

City of Binghamton

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

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

  
PIAKER & LYONS, P. C.

Binghamton, New York  
June 5, 2012

CITY OF BINGHAMTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CDFA #</u>	<u>Expenditures</u>
<b><u>Primary Entity</u></b>		
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		
Community Development Block Grant	14.218	\$ 2,699,443
Community Development Block Grant - Section 108 Loan	14.218	4,388,000
ARRA - Community Development Block Grant Recovery	14.253	150,705
Section 8 Housing Choice Vouchers	14.871	1,804,400
HOME Investment Partnerships Program	14.239	812,700
ARRA - Homelessness Prevention and Rapid Re-Housing Program	14.257	380,991
Emergency Shelter Grants Program	14.231	67,049
<b>Passed Through: New York State Housing Agency</b>		
Neighborhood Stabilization Program	14.218	<u>172,726</u>
<b>Total Department of Housing and Urban Development</b>		<b><u>10,476,014</u></b>
<b>DEPARTMENT OF TRANSPORTATION</b>		
<b>Passed Through: New York State Department of Transportation</b>		
Highway, Planning, and Construction Program	20.205	<u>330,181</u>
<b>Total Department of Transportation</b>		<b><u>330,181</u></b>
<b>DEPARTMENT OF HOMELAND SECURITY</b>		
<b>Passed Through: New York State Homeland Security</b>		
State Domestic Preparedness Equipment Support Program	97.004	14,442
<b>Passed Through: New York State Emergency Management Office</b>		
Disaster Grants - Public Assistance	97.036	<u>818,693</u>
<b>Total Department of Homeland Security</b>		<b><u>833,135</u></b>
<b>DEPARTMENT OF JUSTICE</b>		
Byrne Justice Assistance Grant	16.804	<u>88,536</u>
<b>Total Department of Justice</b>		<b><u>88,536</u></b>
<b>DEPARTMENT OF ENERGY</b>		
<b>Passed Through: New York State Energy Program</b>		
ARRA - State Energy Program	81.041	<u>160,466</u>
<b>Total Expenditures of Federal Awards - Primary Entity</b>		<b><u>160,466</u></b>
<b><u>Component Unit - Binghamton Local Development Corporation (8/31/10)</u></b>		
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		
Community Development Block Grant	14.218	<u>262,479</u>
<b>Total Expenditures of Federal Awards - Component Unit</b>		<b><u>262,479</u></b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS - REPORTING ENTITY</b>		<b><u>\$ 12,150,811</u></b>

The accompanying notes are an integral part of this schedule.



CITY OF BINGHAMTON  
 NOTES TO THE SCHEDULE OF  
 EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2010

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

**NOTE 2 - SUBRECIPIENTS**

Of the federal expenditures presented in the schedule, the City of Binghamton provided federal awards to sub-recipients as follows:

<u>Program Title</u>	<u>Federal CFDA #</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant	14.218	\$ 137,368
Emergency Shelter Grant	14.231	67,049
Homelessness Prevention and Rapid Re-Housing	14.257	380,991

**NOTE 3 - CFDA NUMBERS**

<u>Grantor/Program Title</u>	<u>CFDA#</u>	<u>Expenditures</u>
<b>U.S. Department of Housing and Urban Development</b>		
<b>Direct</b>		
Community Development Block Grant	14.218	\$ 2,699,443
Community Development Block Grant - Section 108 Loan	14.218	4,388,000
<b>Passed Through: New York State Housing Agency</b>		
Neighborhood Stabilization Program	14.218	172,726
<b>Component Unit - Binghamton Local Development Corporation</b>		
Community Development Block Grant	14.218	<u>262,479</u>
<b>Total U.S. Department of Labor CFDA #14.218</b>		<b>\$ <u>7,522,648</u></b>

CITY OF BINGHAMTON  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED DECEMBER 31, 2010

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Adverse  
 Internal control over financial reporting:  
 Material weakness(es) identified?   X   yes        no  
 Significant Deficiency(ies) identified  
 not considered to be material weakness?   X   yes        none reported  
 Noncompliance material to financial statements noted?        yes   X   no

**Federal Awards**

Internal Control over major programs:  
 Material weakness(es) identified?        yes   X   no  
 Significant Deficiency(ies) identified  
 not considered to be material weaknesses?        yes   X   none reported  
 Type of auditor's report issued on compliance  
 for major programs: Unqualified  
 Any audit findings disclosed that are required  
 to be reported in accordance with  
 Circular A-133, Section .510(a)?   X   yes        no

**Identification of major programs:**

<u>CFDA Number(s)</u>	<u>Name of Federal Program(s)</u>
14.218	Community Development Block Grant
14.218	Community Development Block Grant Section 108 Loan
14.218	Neighborhood Stabilization Program
14.253	ARRA - Community Development Block Grant Recovery
14.257	ARRA - Homelessness Prevention and Rapid Re-Housing Program
81.041	ARRA - NYSERDA
97.036	Disaster Grants - Public Assistance

Dollar threshold used to distinguish  
 Between Type A and Type B programs:   \$ 300,000    
 Auditee qualified as low-risk auditee?        yes   X   no

CITY OF BINGHAMTON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2010

Section II - Financial Statement Findings

Prior Year

2009-01. Cash

*Condition:* Several bank reconciliations were not completed accurately or timely. This is a repeat finding for 2010.

*Criteria:* Reconciliations should be prepared on all accounts monthly, with any variances investigated and resolved. They should then be reviewed by the Comptroller.

*Cause:* There was a lack of oversight and knowledgeable personnel to ensure cash would be properly reconciled and on a timely basis.

*Effect:* At the beginning of field work, bank reconciliations had not yet been completed. Upon investigation, it was discovered that the bank reconciliations for the major activity accounts were not performed all year. During the reconciliation process, fund balances needed to be corrected. These corrections involved some revenue and expenditure accounts. Proper and timely bank reconciliations would have found and corrected transactions such as these on a timely basis. The bank reconciliations were not entirely completed until the beginning of 2012. As a result, Management could not have known the correct total cash balance in 2010.

*Recommendation:* We continue to recommend that Management emphasize the importance to the Treasurer's office in preparing and turning over timely and accurate bank reconciliations for review and approval. We also recommend the proper review of the reconciliations when completed by the Comptroller.

*Views of Responsible Officials and Planned Corrective Actions:* The Treasurer has been charged with reporting monthly to the Comptroller via a checklist and copies of reconciliations of all accounts as they are completed showing the status and date of the last completed reconciliation.

2009-02. Cash

*Condition:* Contrary to policy, the Treasurer was opening mail, recording receipts, making deposits and preparing bank reconciliations. This is a repeat finding in 2010, as this was discovered by City personnel in 2010.

*Criteria:* There should be segregation of duties for these responsibilities in the handling of cash.

*Cause:* Lack of segregation of duties and limited staff makes the possibility for fraudulent activity easier to take place.

*Effect:* During the year it was discovered by the City that the Treasurer was stealing cash and subsequently arrested. Deputy Comptroller acted as Treasurer until a replacement was found in 2011. Prior to year end and prior to 2010 field work, the Comptroller was informed of the need for bank reconciliations and new controls over cash receipts. New controls were enacted, but bank reconciliations were still not timely and accurately performed (refer to 2009-01).

*Recommendation/Status of Finding:* During 2010, the City of Binghamton followed our recommendation to implement procedures that help ensure there are different personnel responsible in the handling of mail, recording receipts, making deposits and preparing bank reconciliations.

CITY OF BINGHAMTON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2010

2009-03. Material Audit Adjustments

*Condition:* During field work, it was necessary to propose several material audit adjustments in order to record transactions and produce financial statements in accordance with generally accepted accounting principles (GAAP). This is a repeat finding in 2010.

*Criteria:* The City is required to record transactions and produce financial statements in accordance with GAAP.

*Cause:* The Comptroller's office has lost experienced personnel in the past few years and the Comptroller resigned in February 2012. While the workload and the various reporting requirements have increased, some of the positions have been filled but the office is still not at past employment levels. This makes it difficult to stay on top of recording transactions and preparing financial statements in accordance with GAAP.

*Effect:* Due to the loss of experienced personnel, entries were incorrectly proposed and approved by the Comptroller with no supporting documentation, which also eliminated the effectiveness of internal controls in place. In order to correct these erroneous entries made by the Comptroller, several adjusting journal entries were proposed over the course of the audit. These entries were necessary to correct misstatements of revenues and expenditures as well as reclass entries into proper accounts and funds.

*Recommendation:* We recommend the City of Binghamton consider hiring an internal auditor with enough experience and skill to review and approve transactions in order to provide an additional level of control over the recording of transactions. This position should be independent of the Comptroller's Office. We also recommend the City hire a Deputy Comptroller that would have the accounting expertise necessary to play an effective role in the Comptroller's Office.

*Views of Responsible Officials and Planned Corrective Actions:* It has become practice to rely on the Auditors to prepare correcting entries as part of their review process. This is the result of a failure of the City to make accurate and timely record of transactions into the ledger. The Deputy Comptroller at the time did question the practice of allowing unsupported journalized activity and was told by the former Comptroller that those would be handled as part of the audit process. Since being appointed as Acting Comptroller (and more recently the new Comptroller), the policy of booking transactions as they occur and to correspond to bank activity has been better enforced. No entries from any individual are allowed without proper back-up and documentation. The current Comptroller writes entries but does not enter them into the general ledger and is subject to the same documentation requirements as any other member of the staff. The current Comptroller has attended GFOA and OSC administered training classes and sessions in an effort to improve the financial functions.

Current Year

2010-01. Misuse of Trust and Agency Fund

*Condition:* In 2010, the Trust and Agency Fund started being improperly utilized as a fund to record transactions when the former Comptroller was unsure what fund they should be recorded in.

*Criteria:* The purpose of the Trust and Agency Fund is to account for assets that are held on behalf of other governments, outside parties or other funds within the government.

*Cause:* As in finding 2009-03, due to workload and staffing levels, the former Comptroller recorded receipts relating to grants, FEMA reimbursements and EFC payments in the Trust and Agency Fund rather than investigating and recording in the appropriate governmental fund.

CITY OF BINGHAMTON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2010

2010-01. Misuse of Trust and Agency Fund (Continued)

*Effect:* Cash receipts and expenditures were posted to the Trust and Agency fund as Due to/from Other Governments and/or Other Funds incorrectly instead of as revenues or expenditures within the appropriate funds. As a result, revenues and expenditures were misstated in the General Fund and Capital Fund prior to corrective adjusting journal entries that were suggested and recorded. These entries were made when the City finally investigated and determined which funds these monies belonged in. It was not until 2012 that 2010 receipts were placed in the appropriate funds.

*Recommendation:* We recommend the City of Binghamton understand how imperative it is to properly record receipts and expenditures to the correct fund. If there is uncertainty, this needs to be investigated in a timely fashion to eliminate the lapse in time when it's recorded and reflected in the correct fund.

*Views of Responsible Officials and Planned Corrective Actions:* The culture of receipts from outside entities as being offsets to expenses rather revenues is being corrected. Posting authorities within the computerized ledger system have been revised so that even the Comptroller cannot both create and post his or her own entries. The policy of appropriate back-up being reviewed before an entry is approved applies to all users.

2010-02. Lack of Oversight

*Condition:* There was a lack of oversight by the former Comptroller and those charged with governance.

*Criteria:* The Comptroller and those charged with governance have the responsibility of overseeing and monitoring the City's policies and procedures to ensure they have adequate controls in place.

*Cause:* The City's ability to properly oversee its financial operations were significantly aggravated by a number of circumstances, including a lengthy State audit, the arrest of the former Treasurer which required the temporary appointment of the Deputy Comptroller as the Acting Treasurer, and an intensive investigation into the theft, as well as the transition to a new financial enterprise system.

*Effect:* Fraud was committed in the City Clerk's office, and internal controls were not always operating in the Comptroller's Office in 2010.

*Recommendation:* Monthly finance reports should be reviewed and periodic monitoring of past audit comments should be performed. The Comptroller should act as the liaison between the departments, the Council, and the Mayor and open lines of communication should be maintained at all times. In order to maintain controls in the finance office, we also recommend an internal auditor/accountant should be hired to review journal entries and transactions. This position should be independent of the Comptroller's Office.

*Views of Responsible Officials and Planned Corrective Actions:* City Council passed Ordinance 011-55 mandating that the Comptroller shall file with the City Clerk and present to Council semiannual reports of all trust/bank accounts reconciled to the ledger and statements of revenue compared to the budget estimates. An internet portal site was created in January of 2012 to provide City Council and the Mayor the capability to access and review weekly expense and revenue reports, annual budgets, annual financial reports and audit reports. Many of these on-line reports have drill-down capability to the source entries and record details.

CITY OF BINGHAMTON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2010

2010-03. Difficulties with Management

*Condition:* Difficulties were encountered with the former Comptroller prior to and during field work.

*Criteria:* Management, which includes the Comptroller, is expected to demonstrate integrity and cooperation to help complete a smooth and timely audit.

*Cause:* With a reduced staff, an ongoing State audit, and the transition to the new financial enterprise system, the former Comptroller was unable to keep up with the oversight required to ensure that reconciliations and other information crucial to the audit were done and provided timely to the auditors. As a result, the City of Binghamton's former Comptroller falsely informed the auditors prior to field work that bank reconciliations were completed, when in fact they were not.

*Effect:* Upon the start of field work, bank reconciliations were not available. Over the next several days into field work, the bank accounts with little or no activity were provided to the auditors. When pressed, the Comptroller admitted that the larger remaining reconciliations were not yet completed. As stated in finding 2009-02, the 2010 bank reconciliations were not completed until the beginning of 2012. Additionally, at the beginning of field work, the auditors requested information related to grants received in 2010. Information was not provided to the auditors until May 2012.

*Recommendation:* We would like to impress how crucial it is to be forthcoming and cooperative throughout the audit process. When these characteristics are not represented, it increases the perception that lack of controls or misstatements could potentially exist. It also creates a delay in completing the audit and issuing a timely audit report.

*Views of Responsible Officials and Planned Corrective Actions:* A new culture and climate of cooperation and transparency has been established within the Office of the Comptroller as of February 2012. Staff is frequently reminded that "sunlight is the best antiseptic", which truly is an action policy of the Comptroller, and employees are encouraged to question or comment on any practices or activities which they are uncomfortable with or feel could be improved; and there is positive reinforcement for quick self-disclosure of errors. There is also an ongoing action to remove walls and barriers of intra-department communication and response to action requests which had been developed in the period of 2008-2011 (and on into 2012).

2010-04. Reconciliation and Record Keeping of Federal Awards

*Condition:* Reconciliation of grants received and the related grant expenditures were not performed by the Comptroller's Office.

*Cause:* As in Condition 2010-03, responsibilities required regarding Federal and State funds and reconciliations were not timely or adequate.

*Criteria:* The City of Binghamton is responsible for completing the Schedule of Expenditures of Federal Awards (SEFA) prior to the audit. In order to do this, the City should be keeping track of Federal funds expended as well as received from inception to completion for each grant.

*Effect:* The City did not prepare the SEFA, grant money was not allocated to projects correctly, and expenditures were not tracked in a proper or timely manner. In addition, state and federal grants received were placed into inappropriate projects and had to be corrected over the course of the audit. This made it difficult to determine what should be reported as federal monies and included on the SEFA.

CITY OF BINGHAMTON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2010

2010-04. Reconciliation and Record Keeping of Federal Awards (Continued)

*Recommendation:* We recommend the City consider hiring a Grants Administrator who would reconcile and record grant money received to ensure the City is in compliance with grant provisions and the filing and reporting requirements related to federal funds received.

*Views of Responsible Officials and Planned Corrective Actions:* A position of a grant accountant charged with all facets of accounting, tracking and reporting of grants has been proposed as part of the 2013 budget. It continues to be a problem area with the current level of staffing and having the time and resources to devote to compiling and shepherding the multiple data streams and cash transactions of ever-increasing State and Federal activity and reporting requirements has overtaxed the Finance Department. In an effort to improve the process it becomes necessary to stop and create lines (often requiring legislation) at the tail end when the funds arrive rather than at the front end when a more proactive approach would have had the structure in place. This relates very closely to the findings from 2010-01.

**Section III - Federal Award Findings and Questioned Costs**

Prior Year

2009-04. All Programs Listed on the Schedule of Expenditures of Federal Awards (SEFA)

*Condition:* The City of Binghamton failed to be in compliance with the filing requirement under the U.S. Office of Management and Budget (OMB) Circular A-133 section 320.

*Criteria:* The report submission to the Federal Audit Clearinghouse is due the earlier of nine months after fiscal year end or 30 days after receipt of the report.

*Cause:* As discussed at Finding 2009-01, bank reconciliations were not prepared accurately or timely. Due to the delay in providing proper reconciliations, the audit was not completed before the due date for filing the submission.

*Effect:* In addition to not being a low-risk auditee for two (2) years, the City of Binghamton's funding from federal agencies could be jeopardized by not complying with this requirement.

*Recommendation:* We recommend the City be cognizant of filing requirements and ensure that all accurate reconciliations and information be provided to the auditors in a timely fashion.

*Status of Finding:* The Federal Audit Clearinghouse was updated with the 2009 information on May 27, 2011. This finding is present again with a different cause. See current year finding 2010-05.

CITY OF BINGHAMTON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2010

Current Year

2010-05. All Programs Listed on the Schedule of Expenditures of Federal Awards (SEFA)

*Condition:* The City of Binghamton failed to be in compliance with the filing requirement under the U.S. Office of Management and Budget (OMB) Circular A-133 section 320.

*Criteria:* The report submission to the Federal Audit Clearinghouse is due the earlier of nine months after fiscal year end or 30 days after receipt of the report.

*Cause:* City Council did not approve and award the independent auditors to perform the audit until November 2011, two (2) months after the submission was due.

*Effect:* In addition to not being a low-risk auditee for two (2) years, the City of Binghamton's funding from federal agencies could be jeopardized by not complying with this requirement.

*Recommendation:* We recommend the City Council be cognizant of federal filing requirements and aid in the process of filing a timely submission.

*Views of Responsible Officials and Planned Corrective Actions:* This is still an action item and should be updated on August 6, 2012. Council approved the 2011 auditors on May 23, 2012 and a September 2012 submission of the 2011 results is anticipated.

2010-06. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Passed Through NYS Housing Agency): Neighborhood Stabilization Program- CFDA #14.218

*Condition:* Period of Availability - The City of Binghamton failed to obligate the Program's grant funds by the required deadline.

*Criteria:* Per the terms of the grant agreement, the City agreed to complete its Local Program in accordance with the Project Milestones on the dates specified.

*Cause:* Under the oversight of the prior Director of PHCD, the City did not complete the requirement of performing the environmental review prior to the demolition of a structure that was part of a larger reconstruction project.

*Effect:* Although the New York State Housing Agency found alternative sources of State funding for the project, the Agency initially rescinded \$185,896 of the grant that was to be awarded.

*Recommendation:* We recommend the City be cognizant of the terms of the grants awarded and implement procedures that would help ensure the terms are being met.

*Views of Responsible Officials and Planned Corrective Actions:* In 2009, the new Director of PHCD was informed of the prior Director's oversight by the Housing Agency. After a lot of effort on the new Director's part, the Agency was convinced to allocate an equal amount of funds for the project even though the NSP grant funds were rescinded. Despite the favorable outcome, the Director instituted new protocols for all grants, including designated Project Managers, Grants Inventory and Tracking Database, Contract Review by Project Manager and a Legal Rep once a grant contract is received and fully executed, and a comprehensive Environmental Review Record (ERR) Work Flow that ensures all federal requirements are complied with prior to the start of any eligible activity.



CITY OF BINGHAMTON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2010

2010-07. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT: Community Development Block Grant - CFDA #14.218

*Condition:* Reporting - The City of Binghamton failed to meet the reporting compliance requirements with the Department of Housing and Urban Development (HUD).

*Criteria:* HUD requires the filing of timely, accurate and complete reports.

*Cause:* In the first instance noted, there was a lack of education and knowledge of how to accurately fill out a report that was filed with HUD. In the other case, there was a loss of key personnel in the Finance Department during 2010 which left a gap in the timeliness of required quarterly reporting to HUD.

*Effect:* The City was in violation with HUD for filing an incomplete and accurate report. Additionally, the City filed two (2) of the federal cash transaction reports late. The September 2010 and December 2010 reports were not filed until February 2011.

*Recommendation:* We recommend the City's Director of PHCD educate the staff on following necessary grant requirements by providing adequate training. We also recommend the Finance Department ensure there's always someone delegated to aid the Director in carrying out the reporting requirements.

*Views of Responsible Officials and Planned Corrective Actions:* The new Director is currently ensuring that appropriate staff attends HUD training to improve program literacy and administration. Following the training, the attendee reports back to other staff and carries out small workshops to help professionally develop the entire staff.