CITY OF SARATOGA SPRINGS, NEW YORK

SINGLE AUDIT REPORTS

Year Ended December 31, 2008

CITY OF SARATOGA SPRINGS, NEW YORK

SINGLE AUDIT REPORTS

Year Ended December 31, 2008

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CITY OF SARATOGA SPRINGS, NEW YORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2008

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA #	Pass-through Grantor #	Federal Expenditures
United States Department of Housing and Urban Development/			
Community Development Block Grants - Entitlement Grants	14.218	B05MC3-60017	$ 75,000
Community Development Block Grants - Entitlement Grants	14.218	B06MC3-60017	24,957
Community Development Block Grants - Entitlement Grants	14.218	B07MC3-60017	171,452
Community Development Block Grants - Entitlement Grants	14.218	B08MC3-60017	220,263
			491,672
Shelter Plus Care	14.238	NY06C10-2001	48,009
Shelter Plus Care	14.238	NY06C72-3008	128,775
			668,456
United States Department of the Interior, National Park Service/			
New York State Office of Parks, Recreation and Historic Preservation/			
Historic Preservation Fund Grants	15.904	CLG-06-01	11,889
Historic Preservation Fund Grants	15.904	CLG-07-04	19,000
			30,889
United States Department of Justice/			
New York State Division of Criminal Justice Services/			
Regional Drug Enforcement Task Force	16.579	TF07898733	16,075
Bulletproof Vest Partnership Program	16.607	BUBX07038073	1,493
			17,568
United States Department of Transportation/			
New York State Department of Transportation/			
Highway Planning and Construction (South Broadway Water Line Project)	20.205	D017928/1754.55	1,402,835
Highway Planning and Construction (Church/Myrtle Street Project)	20.205	D030412/1757.14	70,662
			1,473,497
Highway Safety Cluster			
National Highway Traffic Safety Administration/			
New York State Department of Motor Vehicles/Governor's Traffic Safety Committee/			
State and Community Highway Safety (Selective Traffic Enforcement Program)	20.600	PT-4604132	6,036
State and Community Highway Safety (Bike Safety)	20.600	PS-4604133	14,362
State and Community Highway Safety (Traffic Safety Corridor Enforcement)	20.600	PS-4604141	198
Occupant Protection (Child Passenger Safety Seat Program)	20.602	CS-4604181	337
Safety Incentive Grants for Use of Seatbelts (Buckle Up New York)	20.604	PT-4604191	4,842
			25,775
United States Department of Health and Human Services/			
Center for Medicaid and Medicare Services			
Medicare Prescription Drug Coverage	93.770	NA	49,286
			$ 2,265,471

See accompanying Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 and Independent Auditor's Report on Schedule of Expenditures of Federal Awards and Notes to Schedule of Expenditures of Federal Awards.

CITY OF SARATOGA SPRINGS, NEW YORK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2008

NOTE A - SUMMARY OF ACCOUNTING POLICIES

1. General

The Schedule of Expenditures of Federal Awards presents all activity of all federal awards of the City of Saratoga Springs, New York (City), for the year ended December 31, 2008. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the Schedule.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the current resources measurement focus and the modified accrual basis of accounting.

3. Relationship to Basic Financial Statements

Federal award revenues are reported in the government-wide statement of activities as program income under grants and contributions. In the fund financial statements of the governmental funds, federal award revenues are reported as federal aid in the statement of revenues, expenditures and changes in fund balances.

NOTE B - NONCASH ASSISTANCE

There were no federal awards expended in the form of noncash assistance by the City during the year ended December 31, 2008.

NOTE C - LOANS AND LOAN GUARANTEES

The City participates in the Community Development Revolving Loan Program and had $19,670 in economic development and rehabilitation loans to recipients outstanding at December 31, 2008.

NOTE D - INSURANCE

The City did not participate in any federal insurance programs during the year ended December 31, 2008.

NOTE E - SUBRECIPIENTS

The City had expenditures of $347,658 to subrecipients during the year ended December 31, 2008.

CITY OF SARATOGA SPRINGS, NEW YORK

SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2008

Section II - Financial Statement Findings

None noted.

Section III - Federal Awards Findings and Questioned Costs

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - COMMUNITY DEVELOPMENT BLOCK GRANT - ENTITLEMENT GRANT 14.218

Compliance

07-01. Allowable Costs

Criteria: Federal awards expended must be for allowable in accordance with the grant requirements.

Condition: One of the City's grant recipients was reimbursed twice for certain expenditures.

Cause: The grant recipient submitted copies of receipts already reimbursed for in a different request for reimbursement submitted to the City and was reimbursed again.

Effect: Noncompliance with federal grant requirements over allowable costs.

Recommendation: The City should develop procedures over the requests for reimbursement received from grant recipients to ensure they are only being reimbursed for expenditures made based on original invoices/receipts and not copies of invoices/receipts. Once developed, these procedures could be communicated to grant recipients in the agreement they enter into with the City.

View of Responsible Officials and Corrective Action Plan: In all instances, the City will require original invoices/receipts for any reimbursement. This will be communicated to all grant recipients in the annual contract. The duplicate payment, which resulted in this finding, was for $109.96.

07-02. Subrecipient Monitoring

Criteria: Subrecipients of federal awards that are also responsible for complying with various compliance requirements of the grant must be monitored.

Condition: The City has a well-developed subrecipient monitoring checklist, but for one of the subrecipients that had monitoring procedures performed, certain sections of the checklist were not complete nor were there notes to indicate if these sections were not applicable to this subrecipient.

Cause: There is no review of the subrecipient monitoring checklists by a member of management once a site visit has been completed to ensure the checklist is complete or to determine if there are any findings that require action by the City.

Effect: Without indications on the monitoring checklist that testing procedures were performed, the subrecipient could be improperly determining eligibility or could not be in compliance with another grant requirement, and the City has not documented they have tested this or are aware of this condition(s) to be able to take the appropriate action necessary to correct the situation.

Section III - Federal Awards Findings and Questioned Costs - Continued

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - COMMUNITY DEVELOPMENT BLOCK GRANT - ENTITLEMENT GRANT 14.218 - Continued

Compliance - Continued

07-02. Subrecipient Monitoring - Continued

Recommendation: The City should develop review procedures to ensure the subrecipient monitoring checklists are completed appropriately and any deficiencies noted during the monitoring visits are discussed with the appropriate City individuals and the subrecipient so follow up actions to rectify any deficiencies can be agreed on by all parties and documented.

View of Responsible Officials and Corrective Action Plan: The City is currently using the Housing and Urban Development approved form "CDBG/HOME Monitoring Form For Use When Monitoring Subrecipients." To further enhance this form, the Administrator of Planning and Economic Development will review the monitoring performed by the Community Development Coordinator to ensure the checklist has been completed and to review any findings. The Administrator of Planning and Economic Development will sign and date the checklist to indicate review. Any action taken by the City as a result of a finding will be documented. The Director of Finance will meet with the Community Development Coordinator to establish a standard for workpapers to document testing procedures on items such as eligibility, similar to those done during an audit. The subrecipient monitoring reviewed during the audit was the first one performed by the City.

Internal Control over Compliance

07-03. Grant Recipients in Emergency Situations

Criteria: Grant recipients must meet income eligibility guidelines before they can receive the grant.

Condition: One individual received an emergency rehabilitation grant with only a preliminary income verification performed because this individual is on the waiting list for grant awards.

Cause: In emergency situations, the City does not move an individual off the waiting list to process the recipient immediately and obtain all of the required eligibility documentation before the emergency grant is awarded.

Effect: By waiting until the individual's turn on the waiting list, the City could be issuing grant awards to individuals who do not meet the income eligibility requirements.

Recommendation: In emergency situations, the City should move a potential grant award recipient off the waiting list and fully process them as a recipient and obtain all of the appropriate documentation to properly determine eligibility before the award is disbursed.

Section III - Federal Awards Findings and Questioned Costs - Continued

Internal Control over Compliance - Continued

07-03. Grant Recipients in Emergency Situations - Continued

View of Responsible Officials and Corrective Action Plan: In cases of an emergency, the City will allow the necessary work to begin, following completion of the Emergency Income Disclosure Form and the Applicant Information Form. While the work is in progress, the City will begin the income verification process to ensure the recipient is indeed eligible. Since income verification can take three to four weeks, the City will allow the work to commence while awaiting final verification in emergency cases only. The recipient will only be removed from the waiting list if the work requested on the original application is the same as the emergency situation. Otherwise, the recipient will remain on the waiting list until the original need can be completed; at which time a second income verification will be performed.

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*

Mayor and Members of the City Council
City of Saratoga Springs, New York
Saratoga Springs, New York

We have audited the basic financial statements of City of Saratoga Springs, New York (City), as of and for the year ended December 31, 2008, and have issued our report thereon dated July 28, 2009. 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

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Responses to be a significant deficiency in internal control over financial reporting. See 08-01.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above not is a material weakness.

An Independent Member of the RSM McGladrey Network

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of the Supervisor, Members of the City Board and management, and is not intended to be and should not be used by anyone other than these specified parties.

Bollam Sheedy Torani & Co LLP

Albany, New York
July 28, 2009

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Mayor and Members of the City Council
City of Saratoga Springs, New York
Saratoga Springs, New York

Compliance

We have audited the compliance of the City of Saratoga Springs, New York (City) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement,* that are applicable to each of its major federal programs for the year ended December 31, 2008. The City's major federal programs are identified in the summary of independent 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's management. Our responsibility is to express an opinion on the City'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'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's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of the City 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's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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 and business-type activities of the City of Saratoga Springs, New York as of and for the year ended December 31, 2008, and have issued our report thereon dated July 28, 2009. Our audit was performed for the purpose of forming an opinion on the financial statements of governmental and business-type activities taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements of governmental and business type activities and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements of governmental and business type activities taken as a whole.

This report is intended solely for the information and use of the Mayor and members of the City Council, 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.

Bollam Sheedy Torani & Co LLP

Albany, New York
July 28, 2009

CITY OF SARATOGA SPRINGS, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2008

Section I - Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes ___X___ No
- Significant deficiencies identified that are not considered to be material weaknesses? ___X___ Yes _____ None Reported

Noncompliance material to financial statements noted? _____ Yes ___X___ No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ Yes ___X___ No
- Significant deficiencies identified that are 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 Section 510(a) of Circular A-133? _____ Yes ___X___ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? ___X___ Yes _____ No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2008

Section II - Financial Statement Findings

08-01. Cash receipts

Criteria: Cash collections are one of the riskiest treasury functions of the City. As a result, the City should conduct periodic risk assessments of the City's various cash receipt processes and consider eliminating unnessessary cash collection processes or improving upon existing processes, to reduce the City's exposure to fraud. More specifically, the City should have adequate controls over the cash receipt process to prevent or detect fraud in a timely matter.

Condition: During the 2008 year, the City became subject to an embezzlement. Upon identifying this fraud occurring in the Department of Public Works (DPW), the Department of Finance (Finance) immediately conducted a City-wide risk assessment of the cash receipt process. Within weeks, Finance suggested various departments implement newly specified cash receipt procedures to address pre-existing cash control deficiencies. Despite these efforts, some departments have not (fully) implemented the improved cash control procedures. The DPW cash collection activity is perceived to be of the greatest inherent and control risk to the City, yet the suggested control improvements have not been implemented.

Cause: Prior to the 2009 year, the DPW has not implemented full corrective action over cash receipts procedures due to staff training needs.

Effect: Without implementing the new controls, City officials do not have improved assurance that another fraud will not occur or be detected timely.

Recommendation: All departments in the City should seek the guidance of Finance personnel and implement the suggested cash control procedures.

View of Responsible Officials and Corrective Action Plan:

The Finance Department continues to work with and make the staff available to all departments handling cash receipting to implement proper internal controls, train on appropriate procedures and evaluate the need and risk of certain collection processes. The Departments continue to make recommended changes, though some departments are not progressing in a timely fashion and are resisting or refusing to implement some of the controls. The Finance Department requested the New York State Office of the State Comptroller do a review of internal controls over cash receipting and field work was completed on June 1, 2009. The State's report will be utilized to continue to implement the necessary control procedures.

Section III - Federal Awards Findings and Questioned Costs

None noted.