

CITY OF SARATOGA SPRINGS, NEW YORK

SINGLE AUDIT REPORTS

Year Ended December 31, 2009

CITY OF SARATOGA SPRINGS, NEW YORK

SINGLE AUDIT REPORTS

Year Ended December 31, 2009

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CITY OF SARATOGA SPRINGS, NEW YORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Grantor/ Pass-through Grantor/ Program Title	Year Ended December 31, 2009		
	CFDA #	Pass-through Grantor #	Federal Expenditures
United States Department of Housing and Urban Development/ Community Development Block Grants - Entitlement Grants	14.218	B06MC3-60017	\$ 8,460
Community Development Block Grants - Entitlement Grants	14.218	B07MC3-60017	55,146
Community Development Block Grants - Entitlement Grants	14.218	B08MC3-60017	68,717
Community Development Block Grants - Entitlement Grants	14.218	B09MC3-60017	252,507
			<u>384,830</u>
Shelter Plus Care	14.238	NY06C72-3008	185,320
			<u>570,150</u>
United States Department of Justice/ New York State Division of Criminal Justice Services/ Regional Drug Enforcement Task Force	16.579	TF07898733	18,209
Bulletproof Vest Partnership Program	16.607	BUBX07038073	3,799
ARRA - Edward Byrne Memorial Justice Assistance (JAG) Program	16.804	2009-SB-B9-0613	16,630
			<u>38,638</u>
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	620,973
Highway Planning and Construction (Church/Myrtle Street Project)	20.205	D030412/1757.14	137,072
ARRA - Highway Planning and Construction (Church/Myrtle Street Project)	20.205	D032058/1757.14	1,284,989
			<u>2,043,034</u>
<u>Highway Safety Cluster</u>			
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-4604201	16,430
Occupant Protection (Child Passenger Safety Seat Program)	20.602	CS-4604182	3,597
Safety Incentive Grants for Use of Seatbelts (Buckle Up New York)	20.604	PT-4604192	6,336
			<u>26,363</u>
United States Department of Health and Human Services/ Center for Medicaid and Medicare Services Part D Drug Subsidy	93.794	N/A	54,772
			<u>54,772</u>
			<u>\$ 2,732,957</u>

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
Year Ended December 31, 2009**

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

a. 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, 2009. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the Schedule.

b. 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.

c. 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 2 - NONCASH ASSISTANCE

There were no federal awards expended in the form of noncash assistance by the City during the year ended December 31, 2009.

NOTE 3 - LOANS AND LOAN GUARANTEES

The City participates in the Community Development Revolving Loan Program and had \$26,544 in economic development and rehabilitation loans to recipients outstanding at December 31, 2009.

NOTE 4 - INSURANCE

The City did not participate in any federal insurance programs during the year ended December 31, 2009.

NOTE 5 - SUBRECIPIENTS

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the City provided federal awards to the subrecipients as follows:

Community Development Block Grants - Entitlement Grants	14,218	\$236,315
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CITY OF SARATOGA SPRINGS, NEW YORK

SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2009

Section II - Financial Statement Findings

08-01. Cash Receipts

Condition: During 2008, 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.

Status: This is a recurring finding. See finding 09-01 in the Schedule of Findings and Questioned Costs.

Section III - Federal Awards Findings and Questioned Costs

None noted.

**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 financial statements of the City of Saratoga Springs, New York (City) as of and for the year ended December 31, 2009, and have issued our report thereon dated August 3, 2010. 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 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 09-01 that we consider to be a significant deficiency in internal control over financial reporting. 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.

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*.

The City's response to the finding 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 members of the City Council 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
August 3, 2010

**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**

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

Compliance

We have audited the compliance of 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, 2009. The City'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'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, 2009.

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.

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

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 deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider none of the deficiencies in internal control over compliance described in the accompanying schedule of Schedule of Findings and Questioned Costs to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 09-02 and 09-03 to be significant deficiencies.

The City'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 management, members of the City Council, others within the entity and federal awarding agencies and pass through agencies and is not intended to be and should not be used by anyone other than those specified parties.

Bollam Sheedy Torani & Co LLP

Albany, New York
August 3, 2010

CITY OF SARATOGA SPRINGS, NEW YORK

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2009**

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? X Yes 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? X Yes No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.238	Shelter Plus Care
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

CITY OF SARATOGA SPRINGS, NEW YORK

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2009**

Section II - Financial Statement Findings

09-01. Cash Receipts

Criteria: Cash collection is generally a high risk function. The City should conduct periodic risk assessments of the City's various cash receipt processes and consider eliminating unnecessary cash collection processes or improving upon existing processes, to reduce the City's exposure to fraud, and attempt to maintain strong controls over the cash receipt process to prevent fraud or detect fraud in a timely matter.

Condition: During 2008, the City was the subject of an embezzlement. Upon identifying this fraud 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: As of the end of 2009, the DPW had not implemented full corrective action over cash receipts.

Effect: Without implementing the new controls, City officials do not have improved assurance that another fraud might 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.

Corrective Action Plan: The Finance Office continues to review all cash receipting practices on a regular basis. The Finance Office reviews all cash receipting batches on a daily basis for accuracy before deposits are made to the bank. Any discrepancies are communicated and corrected. In addition, the Finance Office randomly selects cash receipt batches to review for accuracy and compliance with the internal controls. Discrepancies are investigated and communicated. Internal control procedures are reviewed, updated, and approved annually by the City Council. Department cooperation has improved but the funds are often not remitted to the Finance Office in a timely manner and not in compliance with the control procedures.

The Finance Office will continue to communicate to the departments the problems as they arise and continue to make themselves available to the departments to ensure receipts are remitted in a timely and safe manner.

Section III - Federal Awards Findings and Questioned Costs

09-02. Record Retention

Shelter Plus Care (SPC) CFDA #14.238

Criteria: Benefit issuances should be supported by standardized forms and documents, such as approved applications, and third-party documentation to support the determination that a recipient is eligible for benefits. Such documents should be properly reviewed and approved by supervisory personnel.

Condition: Of four SPC benefits tested for 2009, two were not fully supported by the documentation needed to assess eligibility or other authorizations.

Effect: Benefits may be issued to ineligible applicants or in amounts that are not appropriate. Documentation should be maintained to demonstrate the propriety of benefits issued to recipients.

Cause: The documentation lacking for the benefits noted above was information not required when the applicants were initially enrolled in the program in prior years. As the documentation requirements expanded over time, obtaining this documentation was overlooked by the applicants' respective caseworker and supervisor.

CITY OF SARATOGA SPRINGS, NEW YORK

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2009**

Section III - Federal Awards Findings and Questioned Costs - Continued

09-02. Record Retention - Continued

Shelter Plus Care (SPC) CFDA #14.238 - Continued

Recommendation: Management should ensure current procedures are in place for a supervisory review and approval of applications that are appropriate given the case loads.

Corrective Action Plan: The current roster of client files has been reviewed, and all files are complete with required documents. To ensure each file continues to stay complete, the City will review each currently enrolled consumer file on a quarterly basis.

09-03. Competitive Bidding

Highway Planning and Construction CFDA #20.205

Criteria: General Municipal Law (GML) generally requires local governments to advertise for competitive bids when procurements exceed certain dollar thresholds. Specifically, GML requires that an “advertisement for bids shall be published in the official newspaper or newspapers, if any, or otherwise in a newspaper or newspapers designated for such purpose.” GML further requires that municipal contracts be awarded to the “lowest responsible bidder.”

Condition: As noted in a funding agency’s report on Federal Stimulus Money, the City advertised in the New York State Contract Reporter and various other online websites for one particular project but failed to advertise in the official newspaper, as required by GML.

Effect: Even though the City received four bids for the project, not all potential bidders may have been aware of this project opportunity.

Cause: As noted above, the City advertised the bid in various locations, and felt this disclosure was sufficient, even though the advertisement was not published in the official City newspaper.

Recommendation: Local officials should ensure that projects are properly advertised in their local government’s official newspaper in accordance with GML.

Corrective Action Plan: This stimulus project was managed with the State Department of Transportation (DOT), and the turn-around time for publication was shorter than the City usually requires; therefore, the publication was sent to the online clearing house only. Since this is not how the City normally proceeds, the City checked with DOT to ensure that the publication requirement was met by publishing with only the online clearing house, and it did meet DOT’s requirements. In the future, the City will publish using the standards required by the City Charter, with proper publication in both local newspapers.