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August 24, 2012

Mayor Brian Tobin
Members of the Common Council
City of Cortland
25 Court Street
Cortland, NY 13045

Report Number: 2010M-94-F

Dear Mayor Tobin and Members of the Common Council:

One of the Office of the State Comptroller's primary objectives is to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. Further objectives are to develop and promote short-term and long-term strategies to enable and encourage City officials to reduce costs, improve service delivery and to account for and protect their City's assets. In accordance with these objectives, we conducted an audit of City to assess the financial operations of the City. As a result of our audit, we issued a report, dated December 2010, identifying certain conditions and opportunities for City management's review and consideration.

Our audit disclosed additional areas in need of improvement concerning information technology controls that were transmitted to the City in a separate confidential letter.

To further our policy of providing assistance to local governments, we revisited the City in May 2012 to review the City's progress in implementing our recommendations. Our follow-up review was limited to interviews with City personnel and inspection of certain documents related to the issues identified in our report. Based on our limited procedures, it appears that the Common Council (Council) has made only limited progress in implementing our recommendations. Of the nine audit recommendations, two recommendations were fully implemented, one recommendation was partially implemented, and six recommendations were not implemented.

Recommendation 1 – Policy Development to Strengthen Control Environment

The City Council and City officials should take immediate action to strengthen the City's control environment by developing policies and procedures for payroll, cash receipts, and IT to properly control and monitor City operations.

Status of Corrective Action: Not Implemented

Observations/Findings: City officials have begun the process of developing policies for information technology (IT), but have not yet developed policies and procedures for cash receipts and payroll. According to the Director of Administration and Finance (Director), policies and procedures will be developed in conjunction with an upgrade to the accounting system that will be implemented in the near future. The new accounting software was approved for purchase by the Council at a meeting on June 19, 2012.[1]

Recommendation 2 – Policy Monitoring and Enforcement

As the policies are developed, the Council should adopt and enforce them to ensure that City operations are properly controlled and monitored on a continual basis.

Status of Corrective Action: Not Implemented

Observations/Findings: As indicated in recommendation one, City officials have begun the process of developing policies. During the June 19, 2012 Council meeting, the Council adopted a comprehensive set of financial policies that gives City officials guidelines to follow. Staff compliance with these policies can be enforced through monitoring of financial reports and fiscal activity. Additionally, with the acquisition and implementation of new accounting software, additional controls should be available to help Council members further control and monitor operations.

Recommendation 3 – Enforcement of Collective Bargaining Agreements and Resolutions

The Council should enforce all CBAs and the Resolution governing salary and benefits for employees not specifically covered by the CBAs.

Status of Corrective Action: Fully Implemented

Observations/Findings: Council members now see and authorize all payroll-related actions, including changes to salary or related benefits for employees. Council members all sign a cover sheet indicating they have reviewed the underlying documentation and authorized the payroll changes.

Recommendation 4 – Policies and Procedures Governing Payroll

The Council should develop policies and procedures for payroll that include requirements for the maintenance of consistent, centralized records to document employees' leave.

Status of Corrective Action: Not Implemented

Observations/Findings: Policies and procedures for payroll have not been established at this time. City officials wanted to wait for the new accounting software to be implemented before any new policies or procedures are created.

[1] The City is currently phasing in components of the new software. According to City officials, the live switch-over to the new software will not occur until January 2013.

Recommendation 5 – Separation Payments

The Council should review and approve all future separation payments to ensure that amounts are calculated in accordance with CBAs and supported by records that are independent of the employees' records.

Status of Corrective Action: Fully Implemented

Observations/Findings: We reviewed the personnel file of a recently retired employee not covered by a bargaining unit and found the Council did not approve any benefits in excess of the Resolution guidelines applicable to this employee.

Recommendation 6 – Cash Receipt Controls

City officials should completely redesign internal controls over cash receipts, with written policies and procedures, a proper segregation of duties, and procedures to establish a clear trail of cash from receipt to deposit.

Status of Corrective Action: Not Implemented

Observations/Findings: City officials have not implemented new controls over cash receipts. We interviewed two staff members who are responsible for cash receipts and both told us there have been no changes made to the process. According to City officials, they intend to address controls over cash receipts with the acquisition of new accounting software. The new software package has more robust reporting and procedural workflow capabilities to segregate duties and provide for an audit trail.

Recommendation 7 – Cash Receipt Software

The Council should require the network administrator to update the cash receipts software related to data input, information detail, accuracy, and reporting capability to facilitate compliance with the redesigned controls over cash receipts.

Status of Corrective Action: Not Implemented

Observations/Findings: The Council did not require the network administrator to update the cash receipts software. However, the new accounting software includes capabilities for tracking, accounting for, and reporting cash receipts. These software features, when implemented, should provide for improved controls over cash receipts.

Recommendation 8 – Network Configuration

The Council should establish policies and procedures to provide direction for the configuration of the City's network and security of the City's IT resources and data.

Status of Corrective Action: Not Implemented

Observations/Findings: The Council has not yet adopted policies or procedures relating to network configuration. The Director and the network administrator told us that policies are developed but are not yet implemented. In addition, they told us a new server has been purchased and they will implement group policies and other security settings once the new accounting software package has been purchased and installed.

Recommendation 9 – Network Functionality

The network administrator should assess the current network configuration and improve the functionality to enhance security and connectivity among City users.

Status of Corrective Action: Partially Implemented

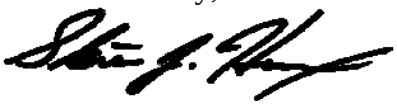
Observations/Findings: Whereas the City previously used five separate internet connections from two different vendors to give users access to the internet and email, all City departments are now using the same internet provider, which enables the network administrator to monitor users' activity. Further, each computer is now behind a firewall, providing protection from external threats.

To further ensure security of the City's information technology operations, the details of the confidential recommendations are not included in this letter. However, the City has made some progress in implementing our recommendations. We discussed the detailed results of our follow-up work with City management during the conduct of this follow-up review.

During our review, we discussed the basis for our recommendations and the operational considerations relating to these issues. We encourage you to continue with your efforts to implement our recommended improvements in your fiscal management.

I trust that our follow-up review was of assistance to you. If you have any further questions, please contact Todd Eames, Chief Examiner of our Binghamton Regional Office, at 607-721-8306.

Sincerely,



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