

DEPARTMENT OF AUDIT & CONTROL



**CITY OF BUFFALO
ANNUAL AUDIT PLAN**

FISCAL YEAR 2012-2013

JUNE 22, 2012

MARK J. F. SCHROEDER

COMPTROLLER

**ANNE FORTI-SCIARRINO
FIRST DEPUTY COMPTROLLER**

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CITY AUDITOR**

Section 7-5 of the Charter of the City of Buffalo - Annual Audit Plan

By the beginning of each fiscal year, the comptroller shall submit to the council for review and comment an annual plan designating the offices, departments, boards, commissions, activities, programs, functions, agencies and other entities scheduled for audit in the fiscal year and listing the same completed in the prior fiscal year. The plan may be amended during the year as deemed necessary by the comptroller. Notwithstanding the audit plan submitted to the council, the comptroller may at any time initiate and conduct any other audit the comptroller deems appropriate. The authority for selection of audit areas shall reside solely with the comptroller; provided that the comptroller shall perform the audits required by paragraphs 4 and 5 of Section 7-4 of this charter.

INTRODUCTION

In his role as chief fiscal officer for the City of Buffalo, the Comptroller has emphasized the importance of long-term planning, even drafting an amendment to the City Charter requiring a four-year financial plan.

However, long-term planning should not be limited solely to managing the City's finances. The Comptroller has developed a long-term strategy for all functions of his Department, including one of the most fundamental, the audit process.

This being the first Audit Plan submitted by this Comptroller, it is intended to provide an overall strategy for his four-year term of office.

The two areas the Comptroller will be focusing on are **revenues**, and how to maximize them, and **expenditures**, and how to limit or reduce them by eliminating waste, fraud, and mismanagement.

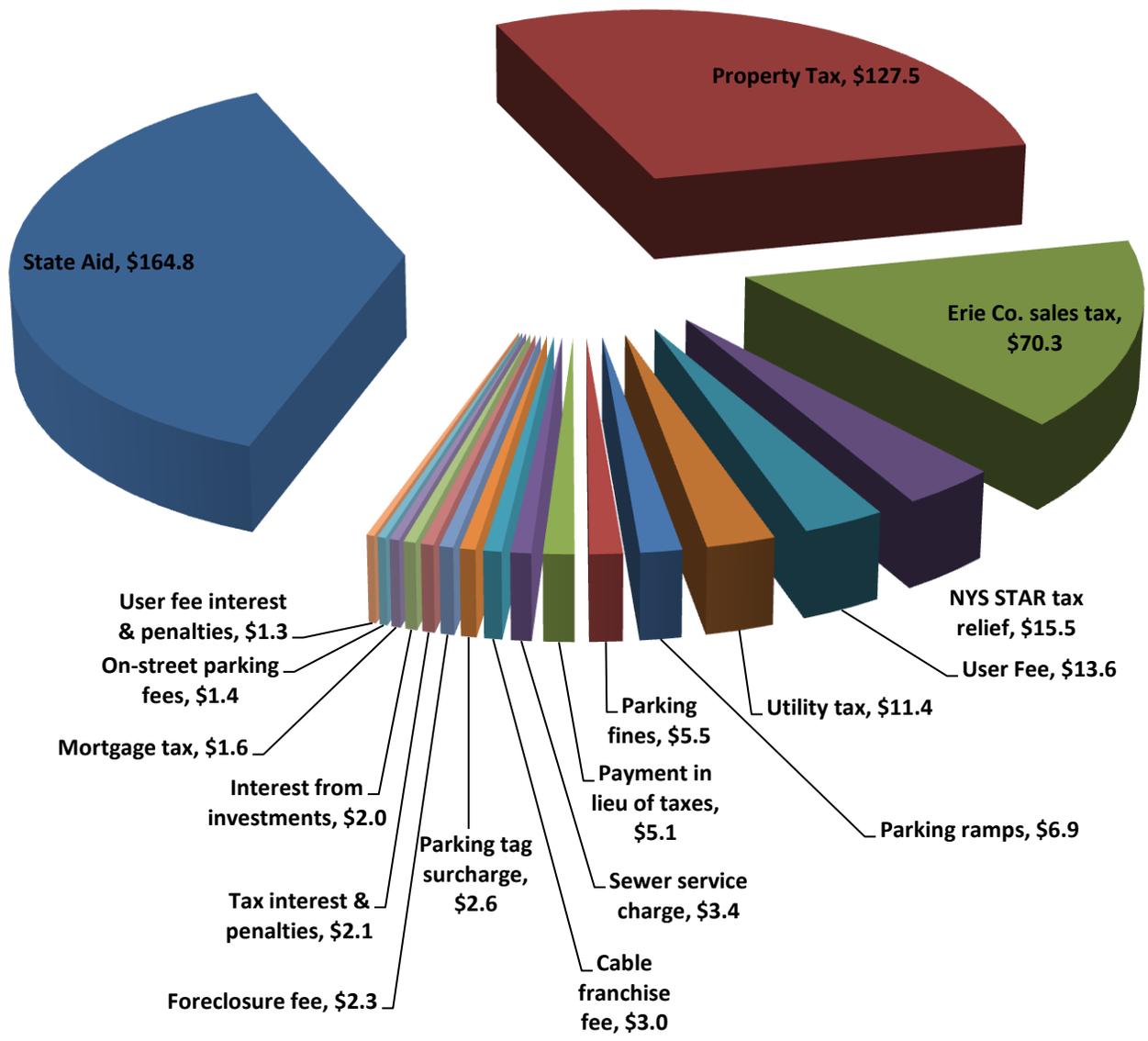
Revenues

The City generates millions of dollars in revenues through taxes, fees, fines, and other sources. Upcoming *audits* will closely examine each source of revenue, and determine whether or not the City is receiving all the revenue that it is entitled to, and if not, how it can increase the revenue generated. For instance, when the City levies particular fines, what percentage of those fines is collected, and how can the City increase that percentage? If the City charges a fee, is the amount of the fee sufficient to provide the service that is rendered? These are the types of questions that the Comptroller will ask when examining each source of revenue. The audits will also review internal controls to ensure that revenue is deposited in a timely manner, recorded correctly, and reconciled to our financial system (MUNIS).

Certain sources of revenue will receive more attention than others, especially those that generate large amounts of revenue, as well as those that the Comptroller sees an opportunity to increase the amount of revenue generated.

Below is a chart of the largest sources of revenue for the City. The chart only includes sources that generate more than \$1 million, however, the scope of the Comptroller's *audits* may include any source of revenue, including those not on this chart.

Revenue Sources (in millions)



Expenses

In examining the City's expenses, the Comptroller will divide them into two categories:

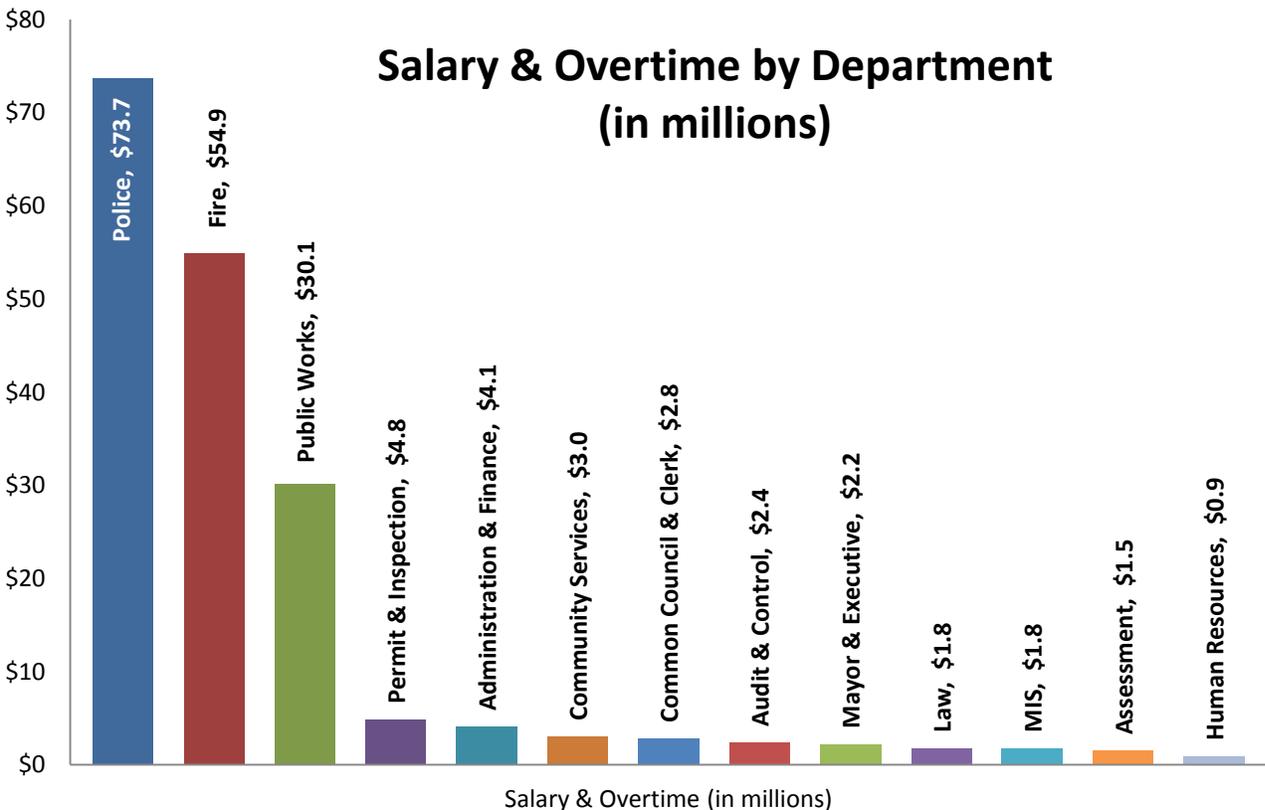
Personnel Costs and **Non-Personnel Expenses**.

Personnel Costs

The City's largest expense, Personnel Costs include salaries, overtime pay, and fringe benefits such as medical insurance and pension contributions. The Comptroller will analyze each of these expenses and determine whether the City can cut costs by, for example, exposing fraud or reducing overtime. Personnel costs are also divided into two categories: **Payroll** (salary and overtime) and **Fringe Benefits**.

Payroll

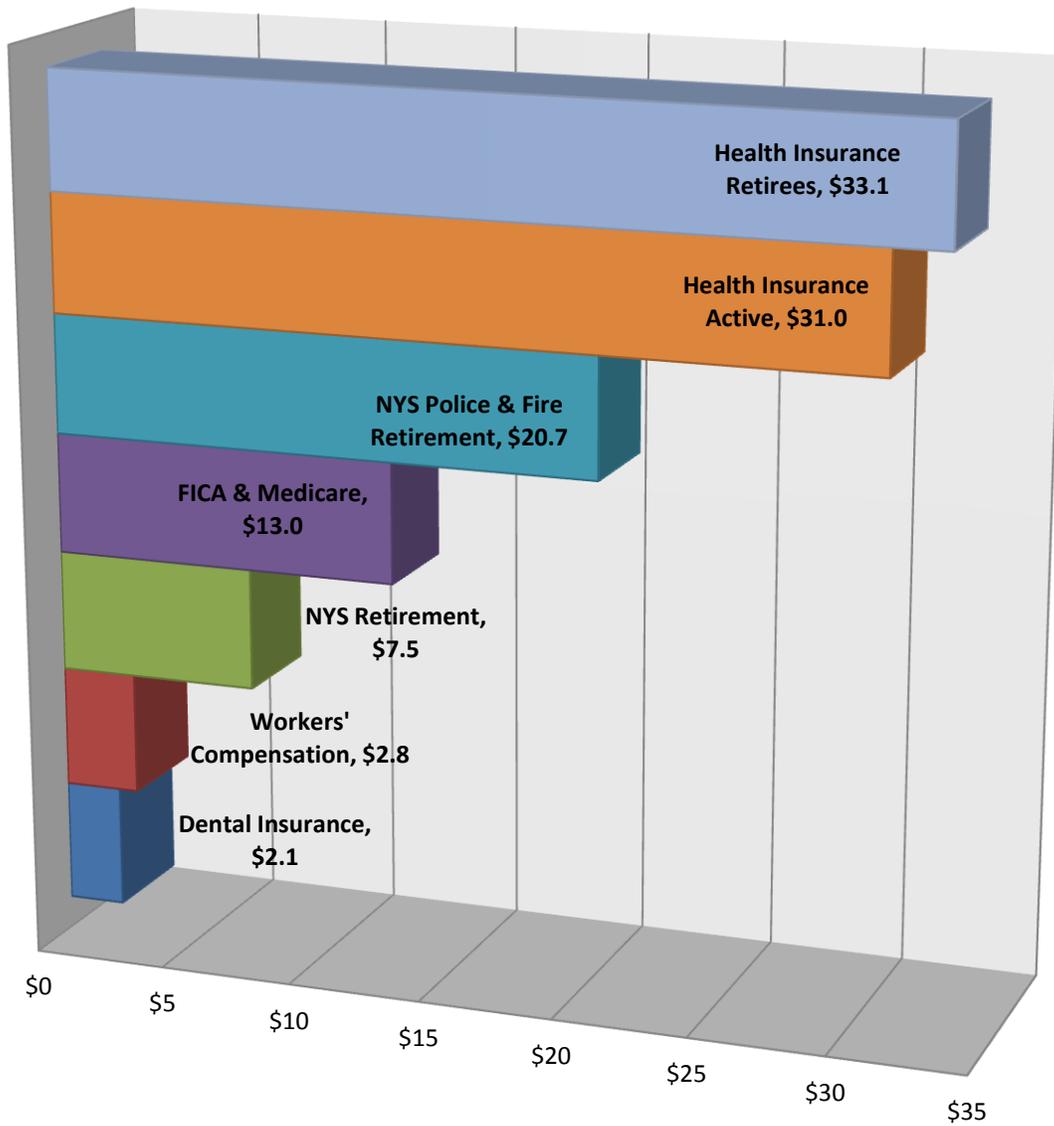
Below is a chart of salary and overtime expenses, organized by Department. Payroll *audits* will focus on whether the amount paid is supported by adequate records, including timesheets and appropriate supervisor approvals, and whether expenditures are in compliance with collective bargaining agreements, if applicable.



Fringe Benefits

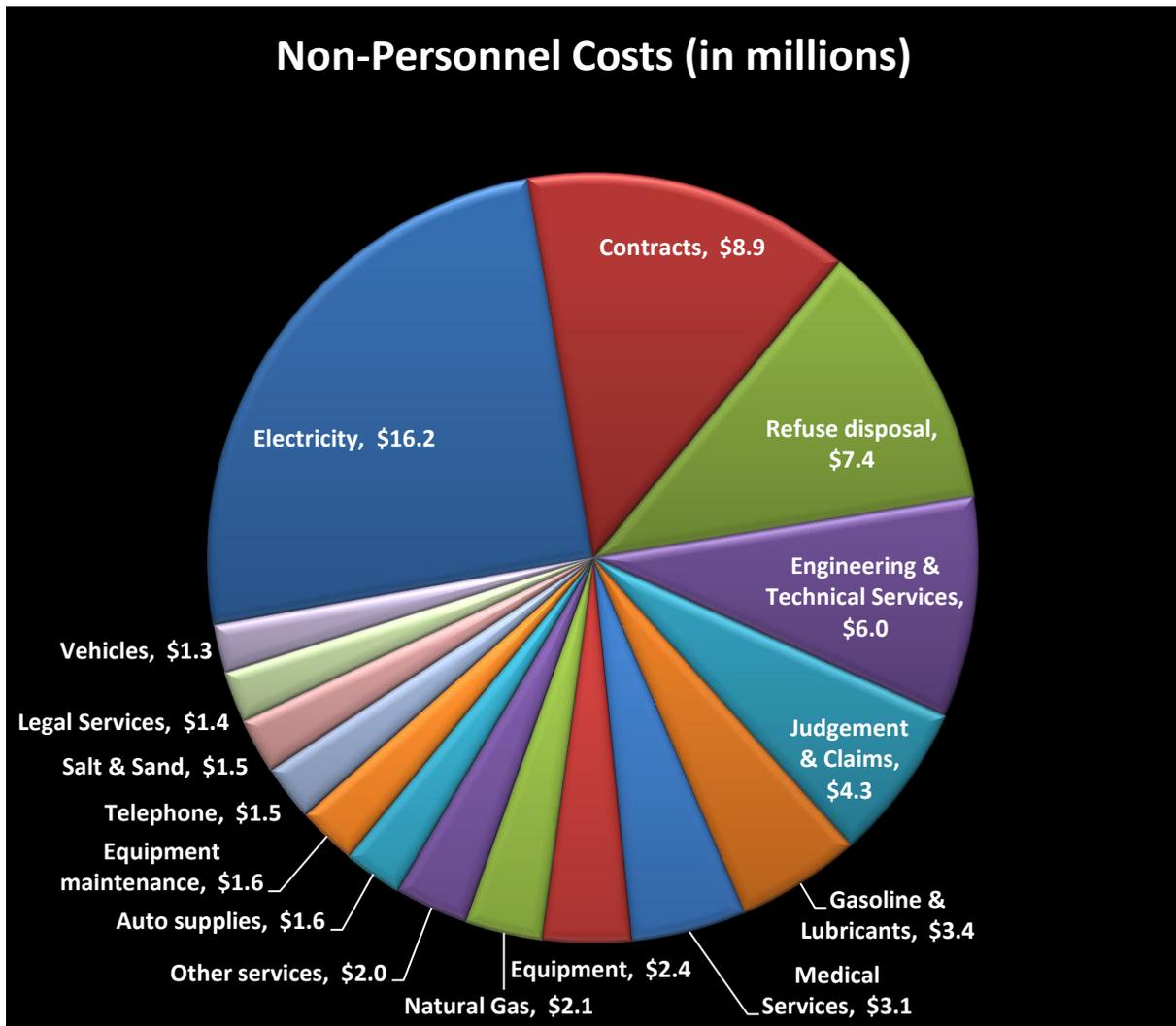
In addition to salary and overtime expenses, the City spends a great deal on fringe benefits for its employees and retirees. The *audits* of this area will focus on eligibility of employees, retirees, and their families for the benefit, as well as comparison to industry standards and best practices. Below is a graph of the City's fringe benefit expenses.

Fringe Benefits (in millions)



Non-Personnel Expenses

These expenditures include services provided to the City, as well as utilities, supplies, and capital outlays. The chart below shows non-personnel costs totaling over \$1 million. Again, the scope of the Comptroller's *audits* may include any expense, including those not on this chart. *Audits* of these areas will focus on amount paid, utilization of discounts for early-payment and high-volume purchases, and if procurement procedures are compliant with the City Charter.



While the information on revenues and expenditures on the previous pages is focused on the City of Buffalo and its departments, the scope of the Comptroller's *audits* may include revenues and expenditures from all of its related entities, including the Buffalo Public Schools, the Buffalo Municipal Housing Authority, the Buffalo Sewer Authority, the Buffalo Water Authority, the Buffalo Urban Renewal Agency.

PRIOR FISCAL YEAR AUDITS

In fiscal year 2011-2012, the Division of Audit conducted an audit of medical invoice fee scheduling. The company known as Occ-Med had contracted with the Department of Human Resources, Division of Compensation and Benefits to provide fee scheduling services of medical invoices. After seeing a number of irregularities, the Division of Audit and the Law Department became concerned, and launched dual investigations with the cooperation of the Division of Compensation and Benefits. A team of auditors were assigned, and as a result, the majority of our available resources went into a comprehensive and detailed audit of this company. We found numerous instances of over-billing and questionable charging practices.

The Division also looked into the In Rem auction process for 2011, conducted an inventory of laptop computers and mobile telecommunications devices, and the Department of Parking's impound and towing operation.

There are currently three audits underway that will be completed and submitted in the 2012-2013 fiscal year. These audits include a review of Common Council contractual expenditures, a case study of the grant management process, and an analysis of the City's prescription drug program to determine if the new contract is cost effective and whether it should be extended. On May 30, 2012, the 2011-2012 Audit Plan was amended.

In accordance with the Charter, the Comptroller also reserves the right to look into any area that requires immediate attention.