The first year of the Office of Audit and Control (OAC) has had four primary focuses:

1. Transitioning from a Comptroller CFO-Treasurer model to a Treasurer CFO-Auditor model of governance while keeping the City’s financial operations on-track.
2. Planning for OAC to become a fully-functioning auditing operation that follows Government Auditing Standards.
3. Providing advisory support to the Common Council.
4. Improving the processes that OAC will continue to do on a daily basis.

Transition- In the first three quarters of 2010, the Deputy Auditor (2009’s Deputy Comptroller) was tasked with doing the CFO work she has historically done while preparing the Treasurer’s staff to take on those duties in 2011, which included:

- Working with the Deputy Treasurer (the 2009 CFO) to close the 2009 accounting year.
  - Reconciliations of subsidiary ledgers to AS400 general ledger.
  - Updating of fixed asset records including all city property and equipment.
- Preparing schedules and collecting information from departments in preparation for the City’s external annual financial audit.
- Working with the external auditors on the City’s external audit. (some of this activity will remain with OAC)
- Preparing allocations and adjustments to convert fund financials (modified accrual) to GASB statements (full accrual).
- Writing the management discussion and analysis for the financial statements.
- Reviewing draft of Audited financial Statement and communicated requested corrections or revisions. (some of this activity will remain with OAC)

In addition to the Deputy’s duties a number of other tasks were transitioned between OAC and the Treasurer’s staff. Cross-training for these duties has taken place as schedules have allowed and have been completed with the exception of a couple of duties that will be handed off or stop being done at the end of the year. These steps have been taken to ensure that by January 2011, OAC will have as little City management activity as the City Charter will allow. (A Government Auditing Standard requirement)

Planning- OAC has taken a number of steps, including extensive research into the operations of other municipal auditing offices, to build a foundation and framework for ongoing auditing operations that meet professional standards and provide for a more open and accountable City government. Those steps include the following:
Formed and chartered the OAC Audit Committee
- Acts in an advisory capacity.
- Has seven members with two of them Council members appointed by the Council President.
- Provides input on the Annual Audit Plan, individual audit plans, and draft audit reports.
- Chartered to include representatives of the following professions:
  - Government auditing;
  - Organizational performance improvement/measurement;
  - Accounting;
  - and Legal.

Drafted the Policies and Procedures Manual
- Final version will be effective starting in January.
- Used Portland OR, Palo Alto, El Paso, Tampa, Gresham OR, Lawrence KS, and Kansas City P&P Manuals as resources.
- The office will follow Government Auditing (Yellow Book) Standards and undergo peer reviews every three years.

Initiated the 2011 Annual Audit Plan process, including a public input process.
- Held input sessions with nine neighborhood associations in addition to a city-wide meeting held Nov. 29 at the Main Library.
- Received 128 evaluation grids, allowing the office to gauge the public’s priorities for performance audits.

Drafted the 2011 Annual Audit Plan outlining the City programs and functions that will be audited in 2011.

Prepared the draft audit plan template for auditing the City’s investments
- This is a limited scope audit since NYS has strict limits on how municipalities can invest their money.
- Objectives of the audit are to determine whether investments are made according to State regulations and City policies while earning the highest possible return.

Advisory support to the Common Council- The City Charter instructs OAC to respond to requests for reports, in the form of resolutions or ordinances, from the Common Council. It is also the policy of OAC to provide reports at the request of Council committees when scheduling allows. We also welcome requests for information or advice from individual Council members. Activities in support of the Common Council so far this year include the following:

Provided staff support, research, and reporting regarding the UAlbany dormitory sewer and stormwater plans. As a result of the joint efforts of the Council and OAC, Council was successful in all of its requests with regard to these issues. UAlbany has agreed to not connect to the troubled Woodville Pump Station sewer system and has included an ambitious green infrastructure stormwater program in its construction bid specs. OAC’s involvement included the following:
- Researched and provided points of inquiry for the initial committee meeting on the matter.
• Conducted extensive research and acted as lead questioner in the hearing following UAlbany’s negative response to the Council’s requests.
• Produced a detailed report on the topics discussed at the committee hearing.

Identified significant use of pesticides forbidden by a section of the City Code.
• Investigated the extent of the pesticide use.
• Researched the issue and reported the results to the Mayor and Council.
• The City Law is being re-written to create workable controls for City pesticide use.

**Improving OAC-related processes** - OAC is charged with “warranting accounts payable valid.” This is a continuation of the old City Comptroller’s historic duty of “auditing” and approving accounts payable, although the practice did not adhere to the GAS definition of auditing. As conducted by the OAC, this practice consists of reviewing accounts payable and affirming (or not affirming) their validity before payment. Payment is not to be made on any account payable before being warranted valid. This means that OAC is involved on a daily basis with the City’s procurement processes. OAC has played a leadership role in the following projects and initiatives aimed at improving those processes:

Reviewed and approved approximately 20,000 invoices for 2010.
• Made improvements to the process to ensure that every contracted expenditure is checked against the rates set in the contract.

Created a contract database in cooperation with Corporation Council and the City Clerk’s office.
• Allows all City staff to access scanned copies of City contracts.
• Facilitates faster and better review of invoices.
• Better ensures that vendors are charging the contracted rates.

Worked with the Law Department and the Purchasing Department to review, research and make major edits to the City’s new draft Purchasing Manual.
• The City’s purchasing system has significant weaknesses and this was an effort to improve some of the controls while reducing some of the unproductive steps in the process.
• Used the Rochester, Colonie, and Syracuse purchasing departments and manuals as resources for the project.
• Draft Manual is awaiting approval by the Deputy Mayor.

Initiated a pilot program to investigate the feasibility of entering invoices into AS400 on the day they are received.
• Invoices are currently entered only after they are approved by the department, Purchasing, and OAC. This can take months and in some cases over a year.
• The process makes it exceptionally difficult to close the books and impossible to get an up-to-date picture of the City’s purchasing expenses.
• Four City Hall departments participated in testing the feasibility of timely entry.
• There are some significant challenges that need to be addressed in AS400/and/or the purchasing process before invoices can be entered on a timely basis. Those challenges are well worth addressing.