

**CITY OF BUFFALO
DEPARTMENT OF AUDIT AND CONTROL**

**FOLLOW UP TO AUDIT REPORT ON
COMMON COUNCIL DISCRETIONARY
FUNDS ISSUED FEBRUARY 2013**

**MARK J.F. SCHROEDER
COMPTROLLER**



**ANNE FORTI-SCIARRINO
FIRST DEPUTY COMPTROLLER**

**KEVIN J. KAUFMAN, CPA
CITY AUDITOR
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Overview

This report is a follow up to the February 2013 Audit Report on the Common Council Discretionary Funds. Discretionary funds are appropriated from the City of Buffalo (the “City”) general fund and expended at the discretion of the Common Council Members. The funds are designated to benefit the community in various ways including community outreach, civic participation, recreational youth services and senior services. As a result of the audit, several recommendations were made. This report will provide an update on the implementation of the audit recommendations.

The following terms will be used throughout the audit follow-up report:

Audit Recommendation - recommendation from the original audit.

Auditor Comments – commentary provided by Division of Audit related to original audit recommendations, department response and additional procedures performed for the audit follow-up report.

Status of Significant Audit Report Recommendations

Separate line item in Budget for Discretionary Funds

Audit Recommendation: It was recommended that a separate line item be created in the City Clerk’s budget for Discretionary Funds in order to create greater transparency and increase accountability. The account previously used was, “Other Contractual Service,” 10220006-434000.

Auditor Comments: In the Fiscal Year 2013-2014 Budget, a separate general ledger account titled “CC Neighborhood Initiatives” was established with a budget of \$1,098,000. Additionally “Other Contractual Service” has no amount budgeted. Therefore, this recommendation has been implemented.

Standardized Grant Application for Discretionary Funds

Audit Recommendation: It was recommended that grant contracts contain a specific purpose and plan for use of the Discretionary Funds being awarded. It was also recommended that Discretionary Funds be reimbursed rather than received in advance to verify that the funds are only used for allowable costs.

Auditor Comments: In reviewing the contracts processed for Discretionary Funds, the Audit Department has noticed the purpose of some contracts is more specific, but there can still be improvement, as many contracts purpose is “community betterment” or “community development”. If a specific description for use of funds was stated in the contract, an easy and objective determination of allowable costs could be made. The Discretionary Fund Policy requires contracts to contain a list of deliverables or scope of services. We recommend stricter enforcement of this policy.

After a meeting subsequent to the original audit between the Comptroller's office and then Council President Richard Fontana, it was agreed that requiring the Discretionary Funds to reimburse costs incurred by agencies receiving funds would create a cash flow hardship for many agencies. It was agreed that an amount not to exceed \$30,000 could be advanced to an agency, but documentation supporting proper use of discretionary funds must be provided prior to an agency receiving additional funding. This policy has been followed consistently since its implementation.

Conflict of Interest Disclosure for Discretionary Funds

Audit Recommendation: It was recommended that all officers of agencies receiving Discretionary Funds file conflict of interest forms indicating any relationship that would be considered a conflict of interest.

Auditor Comments: Included in the updated Discretionary Fund Policy is a requirement that all conflicts of interest be disclosed. It is believed that this policy is being observed.

Conclusion

It appears that most of the recommendations from the audit performed in the prior year have been addressed. The Department of Audit and Control and Councilmembers have worked together to ensure Discretionary Funds are used in accordance with the Guidelines established by the Council at the request of the Comptroller and that the audit recommendations have been implemented and adhered to.

Improvement to the process can still be made. One item that needs improvement is better communication to the recipients of specific use of the funds and what measurable outputs need to be achieved to continue to receive discretionary funds.