

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

**FOLLOW UP TO THE AUDIT REPORT OF THE
BROADWAY MARKET RENTAL REVENUE**

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Preface

In accordance with the goals set forth in the Annual Audit Plan, we conducted a follow-up to the December 2014 Audit Report on the Broadway Market Rental Revenue. The audit documented and evaluated the internal controls over the rental revenues received from vendors occupying space at the Broadway Market (the Market).

The objective of the follow-up procedures was to determine if recommendations cited in the audit have been implemented. This follow-up Audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

The following terms will be used throughout the report:

Audit Recommendation – recommendations from the original audit.

Testing Performed – follow-up testing completed to assess if the audit recommendation has been implemented.

Status – commentary provided by Department of Audit and Control (DAC) on the progress made towards implementing the audit recommendation.

Status of Significant Audit Recommendations

Internal Controls over Revenue Cycle

Audit Recommendation: Temporary vendors should be billed through MUNIS, the City's financial accounting software. This would allow for a more efficient billing process, including improved tracking of payments and identification of outstanding balances.

Vendors should be required to mail payments to the City's Treasury Department. This would eliminate the Market manager's direct involvement in the collection process, which would increase the internal controls over the process.

Testing Performed: DAC reviewed data in MUNIS to determine if temporary vendors are being billed through MUNIS.

Status: The recommendation has been implemented, all temporary vendors are billed through MUNIS and tracked in the City's accounts receivable system.

Collection Process – Past Due Balances

Audit Recommendation: There should be a written collection policy documenting steps taken if rent is not paid timely. The policy should be provided to all vendors and attached to all contracts and applications. A list of all vendors with rental payments more than 120 days in arrears should be sent to the City’s Collection Department. Efforts should be made to pursue balances deemed collectible, and uncollectible balance should be written off.

Testing Performed: Obtained the written collection policy from Broadway Market management. We evaluated the accounts receivable aging as of July 2016, to determine if the new collection policy was being followed. We reviewed a list of tenants who were sent to collections and a list of tenants who have agreed to payment plans to eliminate their outstanding balance.

Status: The recommendation has been implemented. The Market has developed and implemented a written collection policy. To substantiate the policy has been implemented it was determined that 80% of balances over 120 days old are being actively pursued with 67% sent to collections and 13% are on payment plans.

Temporary Vendor Application

Audit Recommendation: We recommend the design of a new Temporary Vendor Application. The application should include the following:

- Actual rent due
- Payment schedule and due dates of rent
- Amount of deposit, if applicable
- Documentation of the general liability insurance required and that the City must be named as additional certificate holder

The application should be signed by both the vendor and City, acknowledging that all the terms of the application have been met prior to allowing the vendor to occupy space at the Market.

Testing Performed: We obtained applications and insurance documents for all temporary vendors. We reviewed documents to determine if the application was signed by the vendor and the City, listed the amount of rent due and that insurance information was provided.

Status: The recommendation has been implemented. An updated temporary vendor application is being used. All current year applications were signed by both the vendor and the City, documented the amount and date the rent is due and proof of insurance was provided, which named the City as additional certificate holder.

Procedures for Vendors that Provide Services In Lieu of Rent

Audit Recommendation: Any exchange of services or performances in lieu of rent should have a written agreement signed by both the service provider and the City. A cost/benefit analysis of the transaction should be performed prior to entering into an agreement. An adequate amount of insurance should be required by the service provider, and should be documented in the terms of the agreement.

Testing Performed: We inquired whether any exchange of services in lieu of rent occurred since the original audit.

Status: The recommendation has been implemented. It was communicated to DAC that there are no tenants providing services in lieu of rent.

Conclusion

The recommendations from the prior audit have been implemented, which have improved the billing process, increased transparency of the application process and formalized the collection policy. Enacting the audit recommendations has enhanced the system of internal controls, and improved the efficiency and accuracy of the Market's financial data.

We thank the Office of Strategic Planning for their efforts to implement the audit recommendations.