

**APPENDIX 1**  
**SELECTED DELOITTE & TOUCHE, LLP MANAGEMENT LETTER OBSERVATIONS AND**  
**RECOMMENDATIONS**

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**RECORDING OF CAPITAL ASSETS IN IMPROPER ACCOUNTING PERIOD**

**Observation:**

Several instances were noted whereby capital assets were not recorded in the appropriate fiscal year.

**Background:**

The documentation surrounding these assets was not reviewed on a timely basis, and therefore, these transactions were not recorded in the appropriate period.

**Recommendation:**

As capital asset transactions are initiated at the various agencies throughout The City of New York, a process should be developed to ensure the assets are being properly recorded.

**GRANTS MANAGEMENT SYSTEM – TRACKING OF CITYWIDE GRANTS**

**Observation:**

The City does not have a system in place that allows it to identify grants in process or the amounts spent in connection with grants on a real-time basis. The process of identifying grants and amounts spent in connection with them takes more than five months after the close of the fiscal year.

**Background:**

The City prepares the annual schedule of federal awards several months after their fiscal year-end. The process of preparing the schedule takes an excessive amount of time. This is primarily due to the fact that the process of accumulating data is performed manually. A significant portion of time is spent confirming with the various agencies the amount of federal monies that were expended during the current fiscal year. This process is a necessary step in the preparation of the schedule of federal awards because it ensures that such expenditures have been properly recorded within the schedule.

**Recommendation:**

It is recommended that The City of New York implement a grants management program that will facilitate the process of recording and tracking grant expenditures. This system should be made available to all agencies that are recipients of federal monies, allowing those agencies to continuously update the grants management system on a real-time basis for those expenditures which they have incurred to date. This will allow The City to prepare on a timelier basis the necessary schedule of federal awards by reducing the amount of manual time required to gather such information.

## **UNTIMELY PROCESSING OF CAPITAL LEASE CHANGES**

### **Observation:**

An instance was noted where there was untimely processing of a Department of Small Business Services capital lease amendment that resulted in an overstatement of capital lease obligations in the amount of \$9,053,454.

### **Background:**

City agencies submit amendments and renewals to lease agreements to the Comptroller's Office where they are reviewed and recorded appropriately in the general ledger system. In accordance with the new terms of the lease amendment, the lease no longer passed the capital lease test and should have been removed from the capital lease obligations.

### **Recommendation:**

It is recommend that the City establish procedures to process renewals and amendments to lease agreements on a timely basis to ensure capital lease obligations are reported accurately and in the appropriate period.

## **RECORDING REAL PROPERTY CONDEMNATION EXPENSES IN THE APPROPRIATE PERIOD**

### **Observation:**

An instance was noted whereby real property condemnation related expenses were not recorded in the appropriate period.

### **Background:**

The Law Department provides an estimate to the Comptroller's Office related to the future exposure for particular projects. The Law Department provides schedules detailing the project name, title vesting date and the future exposure estimate for the project. The title vesting date is the date the City acquired title to the property via eminent domain (expropriation). We noted one project in the amount of \$30,000,000 where the title vested in FY2007 and was accrued in FY2008. Since the City took title to the property in June 2007, the estimate amount should have been accrued in FY2007.

### **Recommendation:**

It is recommended that The City develop and implement procedures to ensure that expenses related to condemnations are recognized in the appropriate period.

## **BANK RECONCILIATIONS – OUTSTANDING CHECKS**

### **Observation:**

An instance was noted whereby several outstanding checks listed on the bank reconciliation for one of the City's bank accounts have been outstanding for over six months.

### **Background:**

There were 1,122 outstanding checks listed in the bank reconciliation for a J.P. Morgan Chase bank account that have been outstanding for over six months. This particular bank reconciliation was prepared by the Department of Finance. This account was created for real estate property tax refunds. Stale checks were not reviewed by the agency for disposition and a liability was not recorded where appropriate.

### **Recommendation:**

It is recommended that long outstanding checks representing outstanding items on the bank reconciliation be reviewed periodically and adjusted for proper disposition

## **RECORDING ACCRUED INTEREST RELATED TO INVESTMENT SECURITIES**

### **Observation:**

Interest income was not recorded in the appropriate period related to securities maintained in the June 30th portfolio.

### **Background:**

For investments maintained in the General Fund, Capital Projects Fund, and Debt Service Fund portfolios, the City did not record an amount for accrued interest at June 30, 2008 where appropriate. Interest should be recorded based upon the 6/30/08 portfolio and based upon the terms of the security.

### **Recommendation:**

Procedures should be put into place whereby the June 30<sup>th</sup> investment securities are reviewed by management for any corresponding accrued interest due to the City at June 30th.

**APPENDIX 2  
COMPTROLLER'S OFFICE CONTACT SHEET/ADDRESSES**

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**Bureau of Accountancy Office of the Comptroller  
Municipal Building  
1 Centre Street, New York NY 10007**

<b>Last Name</b>	<b>First Name</b>	<b>Room #</b>	<b>Phone #</b>	<b>Fax #</b>	<b>E-mail</b>
Anderson	Yvonne	827	212-669-8024	212-669-8036	<a href="mailto:yanders@comptroller.nyc.gov">yanders@comptroller.nyc.gov</a>
Bornstein	Karen	822	212-669-8016	212-669-8083	<a href="mailto:kbornst@comptroller.nyc.gov">kbornst@comptroller.nyc.gov</a>
Brunner	Nancy	830	212-669-2772	212-815-8524	<a href="mailto:nbrunne@comptroller.nyc.gov">nbrunne@comptroller.nyc.gov</a>
Cento	Gerard	808	212-669-8065	212-815-8691	<a href="mailto:gcento@comptroller.nyc.gov">gcento@comptroller.nyc.gov</a>
Kwok	Vivian	808	212-669-7610	212-815-8734	<a href="mailto:vwok@comptroller.nyc.gov">vwok@comptroller.nyc.gov</a>
Laws	Natilie	827	212-669-8035	212-669-8036	<a href="mailto:nlaws@comptroller.nyc.gov">nlaws@comptroller.nyc.gov</a>
Lara	Berta	827	212-669-4865	212-669-8036	<a href="mailto:blara@comptroller.nyc.gov">blara@comptroller.nyc.gov</a>
Lopes	Vincenzo	822	212-669-2911	212-815-8587	<a href="mailto:vlopes@comptroller.nyc.gov">vlopes@comptroller.nyc.gov</a>
Perez	Madelyn	822	212-669-2337	212-815-8716	<a href="mailto:mprez@comptroller.nyc.gov">mprez@comptroller.nyc.gov</a>
Porter	Joyce	827	212-669-8014	212-815-8784	<a href="mailto:jporter@comptroller.nyc.gov">jporter@comptroller.nyc.gov</a>
Roca	Julia	827	212-669-8003	212-669-8036	<a href="mailto:jroca@comptroller.nyc.gov">jroca@comptroller.nyc.gov</a>
Rodriguez	Flora	827	212-669-8017	212-669-8036	<a href="mailto:frodrig@comptroller.nyc.gov">frodrig@comptroller.nyc.gov</a>
Spitzer	Michael	808	212-669-8027	212-815-8519	<a href="mailto:mspitze@comptroller.nyc.gov">mspitze@comptroller.nyc.gov</a>
Toner	Patrick	808	212-669-4283	212-815-8520	<a href="mailto:ptoner@comptroller.nyc.gov">ptoner@comptroller.nyc.gov</a>
Tumarkin	Gary	808	212-669-3941	212-815-8697	<a href="mailto:gtumark@comptroller.nyc.gov">gtumark@comptroller.nyc.gov</a>
Walker	Natasha	827	212-669-7405	212-815-8615	<a href="mailto:nwalker@comptroller.nyc.gov">nwalker@comptroller.nyc.gov</a>
Yip	Sharon	827	212-669-8020	212-669-8036	<a href="mailto:syip@comptroller.nyc.gov">syip@comptroller.nyc.gov</a>

**APPENDIX 3**  
**DOWNLOADABLE FORMS/SCHEDULES**

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**SECTION A: AGENCY BANK ACCOUNTS AND INVESTMENTS**

- BANK ACCOUNTS AND INVESTMENTS REPRESENTATION
- AGENCY BANK ACCOUNT INFORMATION

**SECTION B: IMPREST FUNDS**

- ACCOUNTABILITY CHECK LIST
- CUSTODIAN CERTIFICATION FORM
- ATTACHMENT A: SUMMARY RECONCILIATION OF FISCAL YEAR 2009 TRANSACTIONS
- ATTACHMENT B: SUMMARY OF FISCAL YEAR 2009 EXPENDITURES
- ATTACHMENT C1: SCHEDULE OF REIMBURSED VOUCHERS
- ATTACHMENT C2: SCHEDULE OF REIMBURSED VOUCHERS (CONTINUED)
- ATTACHMENT D: WARRANTS IN TRANSIT
- ATTACHMENT E1: SCHEDULE OF UNREIMBURSED INVOICES
- ATTACHMENT E2: SCHEDULE OF UNREIMBURSED INVOICES (CONTINUED) AND PREPARER'S CERTIFICATION
- ATTACHMENT F: INVOICES PAID
- ATTACHMENT G: MONEY OWED TO AGENCY

**SECTION E: AGENCY SIGN-OFF AND RECOGNITION 2009 REVENUE TO FA34 PRIOR YEAR RECEIVABLES TO FA52 AS OF 6/30/09 ADVANCES TO FA21 AS OF 6/30/09**

- RECONCILIATION OF CASH BASIS REVENUE
- RECONCILIATION OF ACCRUAL BASIS REVENUE, RECEIVABLES AND ADVANCES

**SECTION I: ESTIMATED DISALLOWANCES OF FEDERAL, STATE, AND OTHER AID**

- DISALLOWANCES OF GRANTS
- GRANT PROGRAMS FROM FISCAL YEAR 2000 TO PRESENT

**SECTION M: CAPITAL ACCOUNTING RECORDS RECONCILIATION**

- REPRESENTATION OF AGENCY'S CAPITAL INTERNAL RECORD RECONCILIATION TO FMS CAPITAL SYSTEM
- SCHEDULE OF DIFFERENCES BETWEEN AGENCY'S CAPITAL RECORDS AND FMS

**SECTION N: CAPITAL ASSETS ACCOUNTING**

- CAPITAL ASSETS CERTIFICATION

**SECTION Q: LEASE INCOME**

- LEASE INCOME CERTIFICATION

**SECTION R: INVENTORY OF SUPPLIES**

- INVENTORY SUPPLY COVER SHEET
- DETAILED INVENTORY REPORT

**SECTION S: FIDUCIARY ACCOUNTS**

- FIDUCIARY ACCOUNT CERTIFICATION AND REPRESENTATION

**APPENDIX 4**  
**INSTRUCTIONS FOR DOWNLOADING FORMS/SCHEDULES FROM THE**  
**COMPTROLLER'S WEBSITE**

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Certain forms which are identified in the Fiscal Year End Closing Instructions can be downloaded, completed, and returned electronically. To do so:

ACCESS the Comptroller's Website and Forms

1. Go to the Comptroller's Website. ([www.comptroller.nyc.gov](http://www.comptroller.nyc.gov))
2. Click on the Bureau of Accountancy. (The Bureau of Accountancy can be found on the left hand menu on the website under Bureaus.)
3. Click on Fiscal Year End Closing Instructions.
4. Click on the link under the appropriate section (e.g., Section B if you are working on Imprest Fund, Section J for Grant Disallowances) and download form/schedule.

COMPLETING the Form/Schedule

5. From the *File* menu bar, highlight *Save As* with your mouse. Your agency's name and agency number must be added to the file name.
6. Complete the form and save the changes.

RETURNING the Form/Schedule to the Bureau of Accountancy

7. Return to the Comptroller's Website.
8. Press the CTRL key on your keyboard and click your mouse on the appropriate link(s) under the column *E-Mail for Forms*.
9. Attach completed form by clicking on the paperclip icon selecting the completed form/schedule.
10. Send.



**NOTE:**

**Where a signature, certification, or an approval is required, the return E-mail address will be accepted as a signature.**

**APPENDIX 5**  
**ELECTRONIC FUNDS TRANSFER (EFT)**

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All vendors with City Contracts over \$25,000 per year, or human service providers, are required to enroll in the Vendor Payment Direct Deposit program. Electronic payment is faster and more secure than paper checks. All vendors are encouraged to enroll in the program. To enroll in EFT, please complete the application per the instructions by logging onto the Department Of Finance (DOF) website at the following address:

[https://www.nyc.gov/html/dof/html/services/services\\_vendors\\_eft.shtml](https://www.nyc.gov/html/dof/html/services/services_vendors_eft.shtml)

Every enrollment must be accompanied by a copy of a voided check, encoded deposit slip or a letter from your bank verifying that your bank account information is valid. Please mail the enrollment forms and documents to EFT, NYC Department of Finance, 66 John Street, 12<sup>th</sup> floor, NY, NY 10038.

If you have any questions, please contact Howard Gross, EFT Manager by phone (212) 487-2592 or by email ([grossh@finance.nyc.gov](mailto:grossh@finance.nyc.gov)).

**APPENDIX 6**  
**COMMON DOCUMENT PROCESSING ERRORS TO BE AVOIDED**

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**Imprest Fund (Section B):**

- 1) In the J2 section of the comment box "To transfer Imprest Fund from FY'09 to FY'10 agencies should put the name of the contact person, along with the agency full name and code.
- 1) On the JVs "To close out accountability invoices for FY'09", agency name and code, name and telephone number of contact person should be included.
- 1) Also on J2 in the comment field, name and telephone number is needed for the EXPENSE DEMAND rollovers for Banking.

**Revenue (Sections C, D and E):**

- 1) Revenue documents (CR's, UR's, IN's) without preparer's name and address in the comments field.
- 2) References to documents that did not exist in that year (FY'10 CR realizes FY'09 receivable in 13/09 posting).
- 3) Don't forget FY'09 item (INs, URs) cleared with FY'09 cash, will show as open in 13/09 reports.

**MY'S (Sections F, G and H):**

**Processing Payment Vouchers:**

- 1) Agencies must enter the 12/09 accounting period on the voucher during July 1-18 for payments of goods and services received on or before June 30, 2009. This will result in the charges being posted to FY'09.
- 2) Enter the correct *delivery period* for the receipt of goods/services on the PVE and PVM vouchers. A common mistake is that the invoice date or voucher date is entered in the field, which causes the improper allocation of expenditures across fiscal years.
- 3) Correct payment vouchers paid through August 28<sup>th</sup> that did not have an Automatic Two-Sided MY generated because the wrong delivery dates were entered. It is best to submit a manual two-sided MY by September 25<sup>th</sup>, 2009; which will enable the expenditures to be charged back to FY'09. Do not set up a one-sided accrual.

**When Processing MY entries:**

- 1) On manual two-sided MY: When preparing the document enter the current accounting period then click the buttons NEW--TWO-SIDED.
- 2) On one-sided accrual MY: When preparing the document, enter 12/09 in the accounting period field, then click the buttons NEW— ACCRUAL.
- 3) One-sided Clearing MY: When preparing the document click the buttons MODIFICATION, CLEARING, and INCREASE.
- 4) Do not set up accruals with MY IDs as OTPSM09---for expenditure incurred by June 30, 2009 and for which the contract amendment is awaiting approval. Instead use MY ID OPTS10---because PVE voucher IDs will eventually be used to pay these expenditures.
- 5) The agency must assign a unique LINE NUMBER when preparing a MYD document for a current year clearing.
- 6) Before preparing an MY or MYD clearing entry, refer to the MYOL screen for the most updated information on the accrual

**Intracity (Section K):**

If the PVI is a Month 13 transaction, **you must** enter 13/09 in accounting period field or else the entry will be processed in Fiscal Year 2010 and not in Fiscal Year 2009.

## **Other Processing Errors**

### 1) Expense Adjustment (EA) Documents

All EA documents must contain the initials and telephone number in the comments field of the person who can answer any questions regarding the entry. If the initials and telephone number are not entered in the comment field, the EA documents will not be approved by the Bureau of Accountancy. If a Level 3 approval has been applied to an EA document without initials and telephone number in the comment field, unapprove the Level 3 and enter the initial and phone number in the comments field; then re-apply the Level 3.

### 2) Month 13 EA

Accounting period must be entered as 13/09.

### 3) Journal Entries

Must contain the name and telephone number of the responsible individual in the comment field. Also, include a full description of the reason for the entry.

**APPENDIX 7**  
**GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS (GASB)**  
**EFFECTIVE FISCAL YEAR 2009 AND FUTURE YEARS**

**Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations.** Issued November 2006. This statement establishes accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution (e.g. hazardous waste spills and asbestos contamination) by participating in pollution remediation activities, such as site assessments and cleanups. Pollution remediation obligations excludes pollution prevention or control obligations relating to current operations and future pollution remediation activities, such as, landfill closure and post-closure care. The Statement identifies the obligating events which require a governmental entity to estimate the components of expected pollution remediation outlays, and determine whether outlays for these components should be accrued as a liability or, if appropriate, capitalized when goods or services are acquired. This statement is effective in Fiscal Year 2009. City agencies that generally perform pollution remediation activities were invited to a seminar at the Comptroller's Office during fiscal year 2009 to introduce a Questionnaire and Reporting Package and Policies and Procedures Manual regarding the implementation of GASB No. 49. Both the Package and Manual can be downloaded from the Comptroller's website. In order for the City to be in compliance with GASB statement No. 49, it is important that the following information be completed and submitted back to the Comptroller's Office by the required due dates listed below:

<b>Information Package</b>	<b>Due Date:</b>
Agency's GASB 49 Contact Information	June 30, 2009
Appendix D-2008 Questionnaire & Reporting Package for the Year Ended 6/30/08 (via email)	June 30, 2009
Appendix D-2009 Questionnaire & Reporting Package for the Year Ended 6/30/09 (via email)	August 15, 2009

All completed information should be forwarded to Ms. Vivian Kwok of the Bureau of Accountancy at [vkwok@comptroller.nyc.gov](mailto:vkwok@comptroller.nyc.gov)

**Statement No. 51, Accounting and Financial Reporting for Intangible Assets.** Issued June 2007. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance relating to the accounting and financial reporting for capital assets should be applied to these intangible assets. The objective of the statement is to reduce inconsistencies relating to recognition, initial measurement, and amortization, thereby enhancing the comparability of the accounting and financial reporting of such assets. Intangible assets are assets that lack physical substance, are nonfinancial in nature, and the initial useful life extends beyond a single reporting period. For internally generated computer software, outlays associated only in the application development stage may be capitalized. Activities in this stage include the design of the chosen path, including software configuration and software interfaces, coding, installation to hardware, and testing, including the parallel processing phase. Capitalization of such outlays should cease no later than the point at which the computer software is substantially complete and operational. Agencies should also consult Internal Control and Accountability Directive 30, *Capital Assets*, to determine if an asset may be capitalized. Statement No. 51 is effective in Fiscal Year 2010. The *GASB 51 Survey* and a *GASB 51 Questionnaire* has been prepared to assist in the implementation of GASB Statement No. 51 for Fiscal Year 2010. City agencies should familiarize themselves with the provisions and guidance contained in the Survey before completing the Questionnaire. A Questionnaire must be completed for each potential intangible asset. The Questionnaire will help agencies determine whether the potential intangible asset(s) are subject to the provisions of GASB Statement No. 51. The Questionnaire and Survey can be downloaded from the Comptroller's website. Please forward all questionnaires, including the

questionnaires which resulted in the intangible asset(s) not being subject to the provisions of Statement No.51, to Susan Cornwall, Unit Chief, Bureau of Accountancy, 1 Centre Street, Rm. 827 or email to [scornwa@comptroller.nyc.gov](mailto:scornwa@comptroller.nyc.gov) by November 2, 2009.

**Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments.*** Issued June, 2009. This Statement requires endowments to report their land and other real estate investments at fair value. While the provisions of Statement No. 52 are effective in fiscal year 2009 there is presently no impact on the City's financial statements.

**Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.*** Issued June, 2009. The objective of the Statement is to enhance the usefulness and comparability of derivative instrument information by providing a comprehensive framework for the recognition, measurement and disclosure of derivative instrument transactions. Examples of derivative instruments are interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts and futures contracts. Derivative transactions are entered into for the following purposes: as investments; as hedges of identified financial risks associated with assets or liabilities, or expected transactions; to lower the cost of borrowing; to effectively fix cash flow or synthetically fix prices; or to offset the changes in fair value of hedgeable items. A key provision of the Statement is that certain derivative instruments are reported at fair value in the government-wide financial statements. Changes in fair value are recognized in the reporting period to which they relate. The changes in fair value of hedging derivative instruments do not affect investment income and are therefore reported as deferrals. Alternatively, the changes in fair value of investment derivative instruments are reported as part of investment revenue in the current reporting period. This statement become effective in fiscal year 2010.

**Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions.*** Issued February 2009. This statement sets out new standards of accounting and financial reporting intended to improve the clarity and consistency of the fund balance information provided to financial report users. It also clarifies the definitions of existing governmental fund types.

The five classifications depicting the relative strength of the constraints that control how specific amounts can be spent is:

- Nonspendable- Fund balance includes amounts that are not in spendable form or are required to be maintained intact.
- Restricted- Fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation.
- Committed- Fund balance includes amounts that can be used only for the specific purposes determined by formal action of the government's highest level of decision-making authority.
- Assigned- Fund balance comprises amounts intended to be used by the government for specific purposes. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed.
- Unassigned- Fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications.

This statement becomes effective in fiscal year 2011.

**Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles.*** Issued March 2009. This Statement incorporates the hierarchy of Generally Accepted Accounting Principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature. The GAAP hierarchy consists of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The hierarchy consists of:

- a. Officially established accounting principles- GASB Statements and Interpretations.
- b. GASB Technical Bulletins and, if specifically made applicable to state and local governmental entities by the American Institute of Certified Public Accountants (AICPA) and cleared by the GASB, AICPA, Industry Audit and Accounting Guides, and AICPA Statements of Position.
- c. AICPA Practice Bulletins if specifically made applicable to state and local governmental entities and by the GASB
- d. Implementation guides (Q&As) published by the GASB staff, as well as practices that are widely recognized and prevalent in state and local government.

This statement became effective upon issuance.

**Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards.** Issued March 2009. This Statement incorporates into GASB authoritative literature certain accounting and financial reporting guidance presented in the AICPA Statements on Auditing Standards (SAS). There are three areas incorporated into GASB authoritative literature which consist of related party transactions, subsequent events and going concern considerations.

- Related Party Transactions- If the substance of a particular transaction is significantly different from its form because of the involvement of related parties, financial statements should recognize the substance of the transaction rather than merely its legal form.
- Subsequent Events- Events or transactions that affect the financial statements sometimes occur subsequent to the *Statement of Net Assets* date but before financial statements are issued. Some of those transactions and events require adjustments to the financial statements (if the condition existed at the date of the *Statement of Net Assets*) while others may require disclosure in the notes to the financial statements (if the condition did not exist at the date of the *Statement of Net Assets*).
- Going Concern Considerations- Continuation of a legally separate governmental entity as a Going Concern is assumed in financial reporting in the absence of significant information to the contrary. Financial preparers have a responsibility to evaluate whether there is substantial doubt about a government's ability to continue as a Going Concern for 12 months beyond the financial statement date. The Statement provides indicators that there may be substantial doubt about a governmental entity's ability to continue as a Going Concern.

This statement became effective upon issuance.

#### **Updates to Directives**

Directive 10, *Charges to the Capital Projects Fund* and Directive 30, *Capitol Assets*, are in process and are anticipated to be completed by June 30, 2009.