

**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.