

**Report To  
The Mayor and City Council on  
City Comptroller Audit Operations  
Fiscal Year 2001**

**March 1, 2002**

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**WILLIAM C. THOMPSON, JR.**  
COMPTROLLER

March 1, 2002

Mayor Bloomberg, Speaker Miller, and Members of the City Council:

I am pleased to transmit the New York City Comptroller's Charter-mandated report on audit operations. The report contains the major findings and recommendations of all audits issued by the Comptroller's audit bureaus in fiscal year 2001. The audit bureaus issued 157 audits and special reports, and the Bureau of Engineering issued five reports during the fiscal year. Many of these reports focused on program effectiveness and service quality. Others identified potential and actual cost savings and revenue enhancement, amounting to more than \$4 million in actual revenue and more than \$12 million in potential savings, revenue, and cost avoidance.

The City Charter requires that the Comptroller's audit activities be conducted in accordance with *Generally Accepted Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that the audit bureaus undergo an external quality assurance review every three years. The Institute of Internal Auditors completed such a review in November 2001 and concluded that the bureaus fully conform to the government auditing standards. In addition, the Charter mandates that every City agency be audited at least once every four years. The Comptroller's Office successfully met this mandate for the third four-year cycle that ended December 31, 2001.

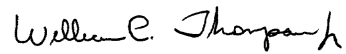
Although this report covers the audit operations of the previous administration, it is of special significance to me because it affords me the opportunity to share my plans regarding the audit function of the Comptroller's Office. New York City is expected to experience increasing budget shortfalls, from about \$4.766 billion in fiscal year 2003 to \$5.356 billion in fiscal year 2005. Consequently, agencies may be required to make reductions that could weaken basic internal controls over their resources and expenditures. My auditors, therefore, will dedicate a portion of their efforts to evaluate controls and to illustrate how they can be strengthened. Regardless of the City's fiscal condition, the public will expect its government to deliver high quality services. The Comptroller's audits present an opportunity to help meet the public's expectations.

Providing a quality education to our children, ensuring the availability of affordable housing for City residents, and delivering social services to people in need are among my highest priorities. Therefore, my audit bureaus will endeavor to find ways for improving the delivery of these and other essential City services. In addition, the bureaus will continue their efforts at identifying ways both to reduce City costs and maximize City revenues.

I am committed to reporting our audit findings to the public to ensure that City officials are held accountable and that recommended actions are taken.

As Comptroller, I will be a fiscal activist dedicated to finding ways to enhance revenue, identify waste and abuse, and improve agency and program efficiency and effectiveness. In this regard, I will ensure that my audits play a significant role in ensuring the financial stability of the City while improving City services.

Very truly yours,

A handwritten signature in black ink that reads "William C. Thompson, Jr." The signature is written in a cursive style with a prominent initial "W".

William C. Thompson, Jr.

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## SUMMARY OF AUDIT RESULTS

Actual cost avoidance, savings, and revenues identified in fiscal year 2001 totaled \$ 4.2 million.

Potential cost avoidance, savings and revenues identified in fiscal year 2001 totaled \$ 12.0 million. It should be noted that these are estimates of what could be achieved if all of the audit recommendations are implemented. Of this \$ 12.0 million:

- \$ 3.6 million represents potential cost savings or revenues from a variety of management and financial audit findings.
- \$ 8.4 million represents potential cost avoidance resulting from audits of claims totaling \$ 10.5 million.

The Comptroller's Bureau of Management Audit, Bureau of Financial Audit, and Bureau of Engineering issued 162 audits and special studies in fiscal year 2001. Audits of managerial lump sums and welfare fund payments, and reviews of subsidy payments to libraries, were also performed.

This report is divided into two sections: one for audits and studies of City agencies and public authorities, and one for audits and studies of private entities that received funding from or generated revenue for the City. The audits were performed in accordance with Generally Accepted Government Auditing Standards, as required by the New York City Charter.

Many of the audit recommendations have been implemented, either in whole or in part. Information on implementation status (described in the "Update" section of each audit summary) was provided by the various agencies in response to our follow-up inquiries.

<u>AGENCY</u>	<u>AUDIT TITLE</u>	<u>PAGE</u>
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**ECONOMIC IMPACT OF AUDITS OF GOVERNMENT AND NON-GOVERNMENT AGENCIES**  
**ACTUAL & POTENTIAL COST AVOIDANCE/SAVINGS/REVENUE FROM AUDITS FOR FISCAL YEAR 2001**

<u>AUDIT TYPE</u>	<u>FISCAL YEAR 01 NUMBER OF REPORTS</u>	<u>FISCAL YEAR 01 ACTUAL COST AVOIDANCE/ SAVINGS/REVENUE</u>	<u>FISCAL YEAR 01 POTENTIAL COST AVOIDANCE/ SAVINGS/REVENUE(1)</u>	<u>TOTAL</u>
Government Agencies	115	\$1,784,072	\$1,010,509	\$2,794,581
Government Agencies Desk Audits	<u>NA</u>	<u>\$1,000,355</u>	<u>\$2,256,165</u>	<u>\$3,256,520</u>
Total Government Agencies	<u>115</u>	<u>\$2,784,427</u>	<u>\$3,266,674</u>	<u>\$6,051,101</u>
Non-Government Agencies	47	\$1,424,272	\$8,761,195	\$10,185,467
Non-Government Agencies Desk Audits	<u>NA</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Non-Government Agencies	<u>47</u>	<u>\$1,424,272</u>	<u>\$8,761,195</u>	<u>\$10,185,467</u>
Grand Total Government and Non-Government Agencies	<u>162</u>	<u>\$4,208,699</u>	<u>\$12,027,869</u>	<u>\$16,236,568</u>

(1) The potential cost avoidance/savings/revenue amounts are estimates that could be achieved if audit recommendations are implemented.

**ECONOMIC IMPACT OF AUDITS OF GOVERNMENT AGENCIES - FISCAL YEAR 2001**

<u>AGENCY</u>	<u># OF REPORTS</u>	<u>ACTUAL COST AVOIDANCE (1)</u>	<u>ACTUAL SAVINGS (2)</u>	<u>ACTUAL REVENUE (3)</u>	<u>POTENTIAL COST AVOIDANCE (4)</u>	<u>POTENTIAL SAVINGS (5)</u>	<u>POTENTIAL REVENUE (6)</u>
Aging, Department of	1						
Buildings, Department of	1						
Business Services, Department of	13						
Children's Services, Administration	13			\$667,850			\$29,037
Citywide Administrative Services, Department of	1						
Civil Service Commission	1						
Community Boards	3						
Comptroller, Office of	1						
Correction, Board of	1						
Correction, Department of	2						
Cultural Affairs, Department of	1						
District Attorneys	2						
Education, Board of	6						
Employment, Department of	2						
Environmental Protection, Dept of	2						
Finance, Department of	2						
Fire Department	3						
Health, Department of	2						
Health & Hospitals Corporation	6			\$42,250			\$4,774
Homeless Services, Department of	3			\$68,315			
Housing Authority	1						
Housing Preservation and Development, Department of	3						
Human Resources Administration	6						\$111,134
Human Rights, City Commission on	1						
Information Technology and Telecommunications, Department of	1						
Investigation, Department of	1						
Juvenile Justice, Department of	2						
Labor Relations, Office of	1						
Landmarks Preservation Commission	1						
Metropolitan Transportation Auth.	2						
Multi-Agency	4					\$279,998	
Off-Track Betting Corporation	1						
Parks and Recreation, Dept. of	2						
Public Administrator	1			\$969,191			
Public Libraries	3						
Retirement Systems	6		\$24,466			\$542,066	
Sanitation, Department of	3						
Special Narcotics, Office of	1						
Tax Commission	1		\$12,000				
Transit, NYC	2						
Transportation, Department of	4					\$30,500	
Water Board	1						
Youth and Community Development, Department of	1					\$13,000	
<b>Total Government Audits</b>	<b>115</b>	<b>\$0</b>	<b>\$36,466</b>	<b>\$1,747,606</b>	<b>\$0</b>	<b>\$865,564</b>	<b>\$144,945</b>
<b>Desk Audits</b>	<b>NA</b>		<b>\$1,000,355</b>			<b>\$2,256,165</b>	
<b>TOTAL:</b>		<b>\$0</b>	<b>\$1,036,821</b>	<b>\$1,747,606</b>	<b>\$0</b>	<b>\$3,121,729</b>	<b>\$144,945</b>

Total Actual Cost Avoidance/Savings/Revenue: \$2,784,427  
 From Government Audits/Desk Audits

Total Potential Cost Avoidance/Savings/Revenue: \$3,266,674  
 From Government Audits/Desk Audits

- (1) There were no audits this year with actual cost avoidance. Actual cost avoidance represents the difference between the claim amount and the settlement amount.
  - (2) Amount already saved by agency.
  - (3) Amount already received or recouped by the agency.
  - (4) The only audits this year with potential cost avoidance were claim audits. Potential cost avoidance represents the difference between the claim amount and the audit accepted amount for those claims that have not been settled.
  - (5) Amount that could be saved by the agency, in the future, by following the audit recommendations.
  - (6) Amount that could be recouped by the agency, in the future, by following the audit recommendations.
- NA = Not Applicable      Desk Audits: Actual Savings: (Lump Sums of \$375,661 + Welfare Funds of \$624,694 = \$1,000,355)  
 Potential Savings: (Welfare Funds - \$2,256,165)

**ECONOMIC IMPACT OF AUDITS OF NON-GOVERNMENT AGENCIES - FISCAL YEAR 2001**

<b><u>AUDIT TYPE</u></b>	<b><u># OF REPORTS</u></b>	<b><u>ACTUAL COST AVOIDANCE</u></b>	<b><u>ACTUAL SAVINGS</u></b>	<b><u>ACTUAL REVENUE</u></b>	<b><u>POTENTIAL COST AVOIDANCE</u></b>	<b><u>POTENTIAL SAVINGS</u></b>	<b><u>POTENTIAL REVENUE</u></b>
Claims	15	\$0	\$0	\$0	\$8,411,958	\$0	\$0
Franchise, Lease and Concession Audits	19	\$0	\$0	\$1,218,501	\$0	\$0	\$0
New York Yankees Rental Credits	5	\$0	\$0	\$199,861	\$0	\$0	\$345,035
Welfare Fund Audits	8	\$0	\$0	\$5,910	\$0	\$0	\$4,202
<b>Total Non-Government Audits</b>	<b>47</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,424,272</b>	<b>\$8,411,958</b>	<b>\$0</b>	<b>\$349,237</b>

Total Actual Cost Avoidance/Savings/Revenue:  
From Non-Government Audits \$1,424,272

Total Potential Cost Avoidance/Savings/Revenue:  
From Non-Government Audits \$8,761,195



**SECTION I**  
**GOVERNMENT AGENCIES**





**DEPARTMENT FOR THE AGING (DFTA)**

Follow-up Audit of the DFTA's Elder Abuse Program

Audit # MJ01-104F

Comptroller's Audit Library # 7180

Issued: April 19, 2001

Monetary Effect: None

**Introduction**

This follow-up audit determined whether DFTA implemented four recommendations made in a previous review entitled *Elder Abuse: Awareness of and Public Response to Domestic Abuse Against the Elderly* (#E91-05, issued April 24, 1992). That review determined the extent of services provided to elder abuse victims by DFTA and the degree of public awareness of these services. The previous review found that insufficient resources at DFTA limited services to the elderly, and that the Program consisted of only one elder abuse specialist to provide direct counseling and third party consulting to the City's elderly population. The review also surveyed a sample of senior citizens and found that less than half (49%) of them knew what to do in cases of elder abuse.

**Results**

DFTA has improved the effectiveness of its Elder Abuse Program. DFTA has increased staffing to handle its caseload and has placed advertisements on trains and buses to educate the public about different aspects of elder abuse and where to go to report it. DFTA has also distributed pamphlets to libraries, senior citizen centers, hospitals, doctors' offices, and other places that seniors go to regularly. Our follow-up audit survey of senior citizens throughout the City revealed that 70 percent of them knew what to do in cases of elder abuse, an increase of 21 percentage points from the 49 percent in the previous review. Finally, DFTA has provided training at senior centers and other community-based organizations.

Since there were no material weaknesses in DFTA's management of its Elder Abuse Program, the report made no recommendations to DFTA.

**Update:** Not Applicable

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**DEPARTMENT OF BUILDINGS (DOB)**

Audit of the New York City Department of Buildings' Internal Control over Cash Receipts: Preliminary Findings

Audit # MJ01-148A

Comptroller's Audit Library # 7238

Issued: May 25, 2001

Monetary Effect: Unable to determine

**Introduction**

This audit determined whether DOB has effective internal controls over its cash receipts. This report covered only DOB's compliance with Comptroller's directives regarding cash receipts received through the mail. It was issued separately and before the full audit was completed because of the serious nature of our preliminary findings and because of the need for immediate corrective action.

The Department of Buildings (DOB) oversees building construction and alteration and enforces the Building and Electrical Codes; the Zoning Resolution; and other laws related to construction activity. One aspect of DOB's functions involves collecting revenue from permits, licenses, and fines. DOB has seven cash collection offices—one at the Executive (Central) office, one at the Bureau of Electrical Control (BEC), and one in each of the five boroughs. During fiscal year 1999, DOB collected approximately \$71.2 million in revenue. During fiscal year 2000, DOB collected approximately \$79 million.

**Results**

DOB has serious weaknesses in its control over cash receipts (i.e., checks and money orders) received through the mail. The Central office does not properly safeguard the cash receipts for permit renewal applications that it receives through the mail. As a result of DOB not immediately (i.e., within one workday) depositing these receipts, that office had a 3-week backlog of undeposited cash receipts totaling \$125,616. Nor did DOB put a restrictive endorsement stamp on the checks as soon as they were received. As a result, the risk that those funds may be lost or misappropriated is increased.

To address the conditions found in this audit, we recommended that DOB:

- Ensure that all cash receipts received through the mail are properly secured in a locked safe, as required by Comptroller's Directive #11.
- Ensure that a restrictive endorsement is immediately put on checks received through the mail, as recommended by Comptroller's Directive #1.
- Deposit all cash receipts on the day that the mail has been received or at the latest on the next business day, as required by Comptroller's Directive #11.

DOB generally agreed with the report's recommendations.

**Update**

DOB reported that it has implemented the audit's recommendations as follows:

- DOB ordered and then distributed endorsement stamps to all areas that handle checks.
- DOB installed safes in all of the cashier sections and made sure that there were locks on the doors to any restricted areas.
- DOB has allocated additional personnel and resources to ensure that future mailed cash receipts are deposited in accordance with Comptroller's Directive #11.

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**DEPARTMENT OF BUSINESS SERVICES (DBS)**

Audit Report on the Financial and Operating Practices of the Myrtle Avenue Business Improvement District

Audit # FL01-082A  
Comptroller's Audit Library # 7293  
Issued: June 26, 2001  
Monetary Effect: None

**Introduction**

This audit evaluated the adequacy of the Myrtle Avenue Business Improvement District's (the BID) internal controls, and assessed the BID's compliance with regulations and statutes applicable to its governance.

In 1998, the BID entered into a contract with the Department of Business Services (DBS) to provide services and make improvements in the Myrtle Avenue area—between Wyckoff Avenue to Fresh Pond Road in Queens. During the audit period, the BID had a contract with the Ridgewood Local Development Corporation (RLDC) to provide office space and staff to manage the BID. In fiscal year 1999, the fees paid to RLDC totaled \$80,822.

**Results**

The area covered by the BID is a cleaner place today than it was prior to the formation of the BID, a conclusion based on surveys conducted during this audit. However, the BID does not provide any security services, as required by its District Plan. In addition, there were the following concerns related to the BID's contracts with RLDC:

- The BID and RLDC share four Board members, including one individual who chairs both organizations. In addition, three of these Board members voted on renewing the RLDC contract, and the chair of both organizations signed the contract on behalf of the BID.
- The BID did not obtain price quotes from three qualified firms before it awarded the contract to RLDC.
- The BID retroactively renewed RLDC's contract and approved payments that were made to RLDC for a six-month period-- October 1, 1998, to March 31, 1999.

While the contract permits the BID to pay RLDC additional funds for administration, it does not require that RLDC provide any additional services to the BID for this compensation. Furthermore, the BID paid \$8,000 for "bonuses" to RLDC personnel. The audit questioned the appropriateness of these charges.

There were minor errors in the amounts reported on the BID's financial statements, and the BID did not provide adequate documentation to support \$2,315 in checks it issued. The BID did not apply for the proper sales-tax-exempt status from the Internal Revenue Service; and it did not maintain a complete and accurate list of property owners.

The audit made 11 recommendations, including that the BID:

- Provide security services in accordance with the District Plan.
- Ensure that it obtains three price quotes for all purchases exceeding \$10,000, in accordance with its contract with DBS. The BID should obtain written approval from DBS for all single source purchases.
- Ensure that RLDC provides services to the BID commensurate with any extra compensation received.
- Ensure that all revenue and expenses are accurately reported on its financial statements.
- In conjunction with DBS, review the appropriateness of using tax assessment proceeds to pay for bonuses to individuals employed by RLDC.

From its response, it appears that the BID agreed with eight of the audit's eleven recommendations. The remaining three recommendations pertain to: security services, bonuses, and extra compensation paid to RLDC. With regard to our recommendation to provide security services in accordance with the District Plan, the BID stated that "there was never a need for an ongoing security service program." Concerning our recommendation to review the appropriateness of bonuses, the BID stated that the bonuses were "voted upon and approved unanimously by the Board of Directors" and that "if the board approves of these payments, DBS has informed us they have not problem with it." The BID's response did not address the

remaining recommendation to ensure that RLDC provides services commensurate with any extra compensation received.

**Update**

The Myrtle Avenue BID reported that it is implementing the recommendations it agreed with, including the following:

- RLDC will obtain written approval from DBS for all single source purchases and will obtain three price quotes when the management contract is up for renewal.
- Members who are on the Boards of the BID and RLDC will abstain from voting on the next management contract.
- The BID is determining how many Board meetings are necessary and will schedule them.
- The BID asks all those who receive payments to sign a receipt, when possible.
- The BID is applying for tax-exempt status, and is seeking advice on the application process from the BID's Manager's Association.
- The BID is developing and maintaining a complete and up-to-date list of property owners in the BID.

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**DEPARTMENT OF BUSINESS SERVICES (DBS)**

Audit Report on the Financial and Operating Practices of the Madison Avenue District Management Association, Inc.

Audit # FL01-083A  
Comptroller's Audit Library # 7250  
Issued: June 8, 2001  
Monetary Effect: None

**Introduction**

This audit evaluated the Madison Avenue District Management Association, Inc.'s (the BID) internal controls, and assessed the BID's compliance with regulations and statutes applicable to its governance.

In 1996, the BID entered into a contract with the Department of Business Services (DBS) to provide services and

make improvements in the Madison Avenue area--between 60<sup>th</sup> and 86<sup>th</sup> streets. A business improvement district is a geographic area in which property owners and tenants band together to use a municipality's tax collection powers to assess themselves, in order to create a fund for improvements within the district. These monies are used to purchase services and improvements, which are supplemental to those already provided to the area by the City, thereby enhancing and promoting the district.

**Results**

The BID has contributed to the improvement of the District by providing supplemental services to the District, including marked improvements in street and sidewalk cleanliness and a crime reduction in the area. This opinion was based on the results of surveys conducted by the BID in December 1999 and during calendar year 2000.

In addition, the BID generally complied with its contract with DBS and its District Plan. The BID had adequate internal controls over its management and operations with some exceptions. Specifically, the BID does not adequately segregate the responsibilities for authorizing purchases and signing checks. Also, the BID does not have timekeeping records for its President, Director of Operations, and Director of Business Services. Furthermore, the BID does not have records showing vacation and sick leaves balances or accruals. (The BID did provide us with a list of vacation and sick leave usage maintained by each individual employee.) It is important for the BID to maintain such records to ensure that its employees receive proper compensation for accrued leave hours.

This audit recommended that the BID should:

- Ensure that the functions of approving purchases and signing checks are properly segregated.
- Ensure that disbursements are properly supported and approved by appropriate individuals prior to payment.
- Maintain daily time records that include daily attendance, vacation, sick/personal leave, and absences for its employees.
- Maintain records for all employees showing their leave balances.

In the BID's response, it described the steps it has taken to address the audit findings and recommendations.

**Update**

The BID reported that it is implementing the audit's recommendations as follows:

- The BID's Board of Directors approved and adopted a series of Procurement Policy and Procedures Guidelines in January 1998, that ensure the segregation of financial duties.
- The Finance/Audit Committee has directed staff to assure that invoices and adequate documentation accompany all requests for payments and that all invoices are verified prior to payment.
- The BID keeps daily time records for its hourly staff, and the BID keeps vacation and sick leave records for its salaried staff. The BID's Treasurer monitors each salaried employee's time record and leave balance.

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**DEPARTMENT OF BUSINESS SERVICES (DBS)**

Audit Report on the Financial and Operating Practices of the NOHO Business Improvement District

Audit # FM01-081A  
Comptroller's Audit Library # 7177  
Issued: March 5, 2001  
Monetary Effect: None

**Introduction**

This audit evaluated the adequacy and effectiveness of the NOHO NY Business Improvement District's (the BID) internal controls, and assessed the BID's compliance with regulations and statutes applicable to its governance.

In 1997, the NOHO NY BID entered into a contract with the Department of Business Services (DBS) to provide services and make improvements in the NOHO area. A business improvement district is a geographic area in which property



owners and tenants band together to use a municipality's tax collection powers to assess themselves, in order to create a fund for improvements within the district. These monies are used to purchase services and improvements, which are supplemental to those already provided to the area by the City, thereby enhancing and promoting the district.

**Results**

The NOHO NY BID has contributed to the improvement of the District by providing supplemental services to the District, including marked improvements in street and sidewalk cleanliness and a crime reduction in the area. This opinion was based on the results of a survey conducted by the BID in 1998, and a survey sent by the Comptroller's Office (using a mailing list provided by the BID) to property owners and merchants in December 2000. Although the results of the December 2000 survey were positive, the amount of surveys returned as undeliverable indicated that the BID needed to update its mailing list. Further, the audit stated that the community would be better served by the BID conducting surveys on a regular basis.

In addition, the audit noted that the NOHO NY BID did not segregate responsibilities related to its procurement functions. Specifically, the Executive Director ordered and received supplies, and authorized payments. Furthermore, the BID could not account for three checks during the audit. Finally, the process used by the BID to award its accounting services contract could have been improved. Specifically, the audit noted that the BID should have been more explicit in its RFP as to its needs, and then sent the RFP to more firms which met its requirements.

This audit made five recommendations, including that the BID should:

- Ensure that it maintains a complete and accurate mailing list of the property owners and merchants located within the BID.
- Conduct comprehensive surveys on a regular basis to determine the needs of the community.
- Ensure that the procurement functions are properly segregated. In that regard, the responsibilities for ordering, receiving, and authorizing payments should be performed by different individuals.

- Retain all voided checks to ensure that no checks are lost or misused. If a check is lost or cannot be accounted for, the BID should contact the bank and place a hold on the check as a precaution.
- Improve its procurement procedures by specifically stating its needs in RFPs, and contacting organizations that best suit its needs.

The NOHO NY BID generally agreed with the audit's findings and recommendations.

**Update**

The NOHO NY BID reported that it is implementing the following recommendations:

- The BID has completely revised its database of property owners and merchants. The BID is in the process of sending out newsletters, and will modify any additional discrepancies found.
- The BID plans to conduct a comprehensive survey to determine the needs of the neighborhood. These surveys will take place either annually or bi-annually.
- The BID has changed its bookkeeping policies to include a check system on all work done. Projects are assigned to two people, plus a board member who oversees all transactions and projects.
- The BID has upgraded its filing system to organize checks received and voided.

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**DEPARTMENT OF BUSINESS SERVICES (DBS)**

Audit on the Financial and Operating Practices of the Lincoln Square Business Improvement District

Audit # MD00-198A

Comptroller's Audit Library # 7163

Issued: February 14, 2001

Monetary Effect: None

**Introduction**

This audit determined whether the Lincoln Square Business Improvement District (Lincoln Square BID) complied with regulations and statutes in relation to its District Plan and contract with the New York City Department of Business Services (DBS).

The Lincoln Square BID entered into a contract with DBS on April 18, 1997. This contract represents an agreement between the Lincoln Square BID and the City regarding requirements for its supplemental services and capital improvements.

The Lincoln Square BID was incorporated in the State of New York on December 6, 1996, by property owners, business owners, and not-for-profit groups with an interest in the area. Under City Legislation, BID assessments are collected by the City and then returned in their entirety to the BID. These monies are used to purchase services and improvements supplemental to the services already provided to the area by the City, and to enhance and promote the business district.

Measured by revenue from assessments, the Lincoln Square BID was the tenth largest of the 40 BIDs in New York City in fiscal year 1999. According to its certified financial statements for fiscal year 1999, the Lincoln Square BID had revenues of \$1,126,657 and expenditures of \$930,152.

**Results**

Since its formation in 1997, the Lincoln Square BID has been successful in providing supplemental sanitation and security services, as well as in introducing a variety of programs and projects that have served to enhance the business environment of the BID area. As a result, the area covered by the Lincoln Square BID is a cleaner and safer place.

According to the Mayor's Office of Operations Project Scorecard, which each quarter rates the level of cleanliness of most streets in districts throughout the City, the Lincoln Square BID's efforts to improve cleanliness in the district had a positive effect on the area in both street and sidewalk cleanliness.

In addition, based on the BID's 1999-2000 annual report, crime in the 20th Precinct, which includes the Lincoln Square BID, has gone down by 58 percent in the last five years.

There were no material weaknesses in the BID's internal controls that could affect the BID's control over its operations. Specifically, the Lincoln Square BID had adequate segregation of duties; revenues and disbursements were properly recorded; the BID adhered to its procurement policies and monitored its contracts; bank reconciliations are performed on a regular basis; and the petty cash fund was properly maintained. However, not all BID employees had their attendance recorded on a daily basis. Moreover, the BID did not maintain an inventory listing.

This audit made the following three recommendations. The Lincoln Square BID should:

- Periodically distribute questionnaires to its participants regarding the BID's performance.
- Maintain a daily time-record system for its entire office staff.
- Maintain an accurate inventory list of all the BID's physical assets, and take a physical inventory once a year.

The Lincoln Square BID generally agreed with the audit's findings and recommendations.

**Update**

The Lincoln Square BID reported that it has implemented the audit's recommendations as follows:

- The BID has instituted the use of daily time sheets for all staff.
- The BID now maintains a comprehensive inventory of all equipment, furniture, and supplies in all of its offices.
- The BID is in the process of conducting a periodic survey of its members to determine their satisfaction with the services provided by the BID.

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**DEPARTMENT OF BUSINESS SERVICES (DBS)**

Audit on the Financial and Operating Practices of the East Brooklyn Industrial Park Business Improvement District

Audit # MD00-201A  
Comptroller's Audit Library # 7276  
Issued: June 21, 2001  
Monetary Effect: None

**Introduction**

This audit determined whether the East Brooklyn Industrial Park Business Improvement District (East Brooklyn BID) complied with regulations and statutes in relation to its District Plan and contract with the New York City Department of Business Services (DBS).

The East Brooklyn BID was incorporated in the State of New York on February 16, 1983, by property owners, business owners, and not-for-profit groups with an interest in the area. Under City legislation, BID assessments are collected by the City and then returned in their entirety to the BID. These monies are used to purchase services and improvements supplemental to the services already provided to the area by the City, and to enhance and promote the business district. To provide these services the East Brooklyn BID contracted with the Local Development Corporation of East New York (LDCENY).

Measured by revenue from assessments, the East Brooklyn BID ranked 34<sup>th</sup> of the 40 BIDs in New York City in fiscal year 1999. According to its certified financial statements for fiscal year 1999, the East Brooklyn BID had revenues of \$85,142 and expenditures of \$38,143.

**Results**

Our review of the financial and operating practices of the East Brooklyn BID disclosed problems with the services provided by the BID to its members, the Board of Directors' management of BID operations, and certain financial practices, as follows:

- The East Brooklyn BID's assessments are not used to provide services to BID businesses only.

- The East Brooklyn BID does not require that LDCENY submit documentation to support program service expenditures.
- Except for the purchase of a street sweeper, the East Brooklyn BID did not take steps to modify its programs to meet the needs of BID participants based on the results of its 1999 BID participant survey.
- There were weaknesses in corporate governance with regard to the Board's oversight and management of the East Brooklyn BID. Board members do not attend meetings regularly; and financial activities are not presented to and voted on by the Board of Directors.
- There are weaknesses in the East Brooklyn BID's control over its financial activities. For example, there is a lack of segregation of duties over the authorizing and processing of transactions, financial records are not maintained, and there is a lack of control over the check writing function.

This audit makes 2 recommendations to DBS and 25 recommendations to the East Brooklyn BID, the most significant of which follow. We recommended that DBS:

- Perform a complete evaluation of the East Brooklyn BID in the context of this report's findings.
- Either put the BID on probation during this evaluation, or take more immediate action terminating all contracts and the collection of member assessments.

We recommended that the East Brooklyn BID should:

- Ensure that assessment funds are spent only on BID-specific programs.
- Ensure that its annual reports reflect only services that impact BID businesses.
- Ensure that its program funds are spent as intended by requiring LDCENY to submit periodic program and financial activity reports.
- Re-evaluate its programs to ensure they address the needs and concerns of the East Brooklyn BID's businesses.
- Discuss any proposed changes in programs with its Board of Directors and ensure that these discussions are documented.

- Ensure that it recruits Board members who are willing to become actively involved with the management of the BID.
- Ensure that important decisions are discussed in Board meetings and documented in minutes. If a quorum is not present in the meeting or if decisions are taken without a meeting, written consent authorizing the action should be obtained from each and every Director.
- Ensure that transactions are recorded accurately and on a timely basis.

East Brooklyn BID and DBS officials generally agreed with the audit's findings. However, in their response, BID officials did not address 8 of the 25 audit recommendations made to them.

**Update**

The East Brooklyn BID reported that it is implementing all of the audit's recommendations, including the following:

- The BID's financial committee will review all checks written, quarterly to ensure that the funds have been spent on BID-specific programs.
- The BID undertook an outreach program to determine the needs and concerns of BID members. As a result of a survey, the BID has developed programs addressing sanitation, (such as cleaning the debris in the neighborhood), complaint services, real estate assistance, and marketing.
- The BID discusses program changes at Board meetings, which are noted in the minutes.
- The BID has installed a membership committee to help recruit active Board members. The BID is also revising the bylaws to encourage membership involvement.
- The BID has established three committees: a membership committee, finance committee, and executive committee in order to monitor the BID's fiscal and program activities.
- The BID's fiscal manager uses QuickBooks to classify expenditures.

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**DEPARTMENT OF BUSINESS SERVICES (DBS)**

Audit Report on the Financial and Operating Practices of the 47th Street Business Improvement District, Inc.

Audit # ME00-199A  
Comptroller's Audit Library # 7181  
Issued: March 20, 2001  
Monetary Effect: None

**Introduction**

This audit evaluated the adequacy and effectiveness of the 47th Street Business Improvement District's (BID) internal controls and determined the BID's compliance with regulations and statutes applicable to its governance, including its contract with the Department of Business Services (DBS). The scope of this audit covered the period July 1, 1998, to June 30, 1999.

Under City legislation, BID assessments are collected by the City and returned in their entirety to the BID. These monies are used to purchase services and improvements supplemental to the services already provided to the area by the City and to enhance and promote the business district.

The 47th Street BID was incorporated in the State of New York in May 1997 by property owners, tenants, and groups with an interest in the area. In fiscal year 1999 the 47th Street BID had assessment revenues of \$300,000. It was the 16th largest of the 40 BID's in New York City.

**Results**

The 47th Street BID was generally in compliance with its contract with DBS and has been successful in providing supplemental sanitation services, supplemental security services, and in promoting the district to the public. However, the BID failed to keep its members adequately informed of its activities. In addition, the BID had weaknesses in its internal controls over its receipts and disbursements.

The audit made ten recommendations to the 47th Street BID, the most important of which are listed below. The BID should:



- Regularly inform all of its members of BID activities by means, for example, of a newsletter or other regular mailing.
- Periodically conduct surveys of its membership to enable the members to more actively participate in shaping BID activities, and to get feedback on the members' satisfaction with BID services.
- Follow established procedures and properly document the awarding of all contracts.
- Include supporting documentation sufficient to provide evidence that all expenses are for legitimate, BID-related activities.
- Utilize an approval and authorization process for purchases and payments. This could include the use of purchase requisitions, purchase orders, and voucher payments.

The 47th Street BID generally agreed with the audit's recommendations.

**Update**

The BID reported that it is implementing nine recommendations, including the following:

- The BID has started a bi-monthly newsletter, that is distributed to all members in the District.
- The Executive Director makes periodic visits to members to learn about their needs and discuss the BID's activities.
- The BID requests cost estimates for at least three vendors for all new contracts.
- Members of the Executive Committee approve all BID expenses before payment. The President of the BID initials all invoices before an approval stamp is put on the invoice.
- All checks paid by the BID are signed by two signatories and checked before mailing to the payee.

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**DEPARTMENT OF BUSINESS SERVICES (DBS)**

Audit Report on the Financial and Operating Practices of the  
HUB-Third Avenue Business Improvement District

Audit # ME01-078A

Comptroller's Audit Library # 7263

Issued: June 14, 2001

Monetary Effect: None

**Introduction**

Property owners and tenants within the City may elect to improve their neighborhoods by forming Business Improvement Districts (BIDs). BIDs are required to enter into four-year contracts with the Department of Business Services (DBS), the entity responsible for monitoring the performance of BIDs and ensuring their compliance with applicable procedures. BIDs are funded by special assessments levied against properties within their geographical areas. These funds are to be used to pay for supplemental services and improvements, such as facade work, sidewalk repairs, landscaping, sanitation, security services, and holiday decorations. The HUB-Third Avenue BID (Third Avenue BID), located in the Bronx, was incorporated on July 1, 1988. During fiscal year 2000, the Third Avenue BID received \$270,108 through assessments and another \$8,500 from restricted grants. The Third Avenue BID's expenditures during the fiscal year totaled \$256,538.

This audit evaluated the adequacy and effectiveness of the Third Avenue BID's internal controls and its accountability over the receipt and expenditure of funds, and assessed its compliance with applicable regulations and statutes, including the provisions of its contract with DBS.

**Results**

The Third Avenue BID generally adhered to the terms of its contract with DBS and had adequate internal controls over the receipt and expenditure of funds. In addition, a survey of Third Avenue BID members indicated that they were satisfied with the security and sanitation services, and with the promotions and enhancement efforts provided by the Third Avenue BID.

However, the Third Avenue BID did not ensure that all of its Board members attended the required number of Board

meetings, did not ensure that all duties were adequately segregated, and did not ensure that appropriate records supporting employee work hours were maintained. In addition, the Third Avenue BID incurred \$1,386 in questionable expenditures, which included \$800 in bonuses to its Executive Director and to its security personnel. Furthermore, the Third Avenue BID did not develop adequate procurement procedures, did not always obtain required bids for purchases, and did not properly record all expenditures on its financial statements. Finally, the Third Avenue BID improperly spent \$1,150 on behalf of political candidates.

This audit made 13 recommendations, including that the BID:

- Conduct an annual comprehensive survey to assess its activities;
- monitor the attendance of Board members and terminate the membership of those members who do not meet the attendance requirements;
- adequately segregate duties over its purchasing functions, as well as the receiving, recording, and depositing of bid assessment checks;
- develop formal timekeeping procedures governing work hours, leave accruals, leave use, and leave balances;
- ensure that all expenditures are related to promoting and enhancing the District;
- obtain bids for purchases, when required;
- discontinue its practice of making contributions to political candidates.

Third Avenue BID officials generally agreed with the audit's recommendations. However, the Third Avenue BID disagreed with the recommendation that it segregate duties over its purchasing and revenue functions. However, the Third Avenue BID stated that it would make changes and try to comply. In addition, the Third Avenue BID stated that it would continue to pay bonuses that it feels are warranted, which the audit cited as not being related to its operation.

**Update**

The Third Avenue BID reported that it is implementing the recommendations that it agreed with, including the following:

- The BID will conduct annual surveys at the end of each year, asking property owners and merchants for their input regarding program services. The results of these surveys will be used to reassess the BID's priorities.
- The BID will ensure that its Board members adhere to the bylaws.
- The BID now maintains documentation for hours worked, vacation, holidays, personal days, and sick leave. The Executive Director now signs in and out, and reports to a member of the Board on a daily basis. A member of the Executive Committee signs attendance sheets and leave requests.
- The BID has changed its procurement procedures in order to follow the appropriate procurement regulations.
- Expenses are recorded accurately on the financial statements.
- The BID no longer makes political donations.

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**DEPARTMENT OF BUSINESS SERVICES (DBS)**

Audit Report on the Financial and Operating Practices of the Village Alliance Business Improvement District

Audit # MG00-189A  
Comptroller's Audit Library # 7153  
Issued: January 19, 2001  
Monetary Effect: None

**Introduction**

The audit evaluated the adequacy and effectiveness of the Village Alliance Business Improvement District's (BID) internal controls, and assessed its compliance with City contract requirements.

Under City legislation, BID assessments are collected by the City and returned in their entirety to the BID. These

monies are used to purchase services and improvements supplemental to the services already provided to the area by the City, and to enhance and promote the business district.

The Village Alliance BID was incorporated in the State of New York in September 1993, by property owners, tenants, and groups with an interest in the area. In fiscal year 1999, the Village Alliance BID had revenues of \$552,772 and expenditures of \$516,763. It was the 13th largest of the 40 BIDs in New York City.

### **Results**

Since its formation in 1994, the Village Alliance BID has been successful in providing supplemental sanitation services. As a result, the area covered by the BID is a cleaner place today than it was in 1994. During fiscal year 1999, the BID supplemented City police service with four security officers who patrolled the BID area. The BID also has advertising and promotional activities, which are designed to promote the district. The BID's promotional services include quarterly newsletters, installation of decorative banners and holiday lighting, and distribution of Back-to-School Coupon Books for area college students. However, we found weaknesses in the BID's internal control system due, in part, to a lack of segregation of duties. Specifically, the accounting functions are not adequately segregated, the BID maintains its accounting records differently than its financial statements, and deposits are not always made on a daily basis. In addition, the BID incorrectly issued 1099-MISC forms to employees.

The audit made eight recommendations to the Village Alliance BID; the most important of which are listed below. The Village Alliance BID should:

- Adequately segregate its accounting functions. The BID should hire an additional employee(s), approved by its Board, to regularly perform specific accounting functions.
- Maintain its general ledger on the accrual basis of accounting, which would enable the general ledger to accurately support the amounts shown in the financial statements.
- Ensure that all checks are properly signed.

- Ensure that its staff accurately records and documents transactions, and properly retains, records, deposit slips, receipts, and invoices.
- Ensure that all cash receipts are deposited daily.
- Ensure that W-2 forms are promptly filed with the IRS for all applicable employees who are paid by the BID.

The Village Alliance BID agreed with four recommendations, disagreed with two, was non-responsive to one, and has already implemented one.

**Update**

The Village Alliance BID reported that it has implemented three recommendations as follows:

- The BID has completed 13 door-to-door surveys.
- The BID has hired a bookkeeper who: reconciles the bank statements; writes and inputs checks into the computer system after they have been approved by the Executive Director; analyzes the general ledger accounts; inputs the BID assessments into a database and enters the payroll into QuickBooks.
- The BID keeps a separate petty cash book with all receipts attached to the expenditure report.

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**DEPARTMENT OF BUSINESS SERVICES (DBS)**

Audit Report on the Financial and Operating Practices of the Brighton Beach Business Improvement District, Inc.

Audit # ME01-151A  
Comptroller's Audit Library # 7264  
Issued: June 15, 2001  
Monetary Effect: None

**Introduction**

This audit evaluated the adequacy and effectiveness of the Brighton Beach Business Improvement District's (BID) internal controls and determined the BID's compliance with regulations and statutes applicable to its governance, including its contract with the Department of Business

Services (DBS). The scope of this audit covered the period July 1, 1999, to June 30, 2000.

Under City legislation, BID assessments are collected by the City and returned in their entirety to the BID. These monies are used to purchase services and improvements supplemental to the services already provided to the area by the City and to enhance and promote the business district.

The Brighton Beach BID was incorporated in the State of New York in May 1983 by property owners, tenants, and groups with an interest in the area. In fiscal year 2000 the Brighton Beach BID had assessment revenues of \$150,000. It was the 30th largest of the 40 BID's in New York City.

### **Results**

The Brighton Beach BID was generally in compliance with its contract with DBS, and has been successful in providing supplemental sanitation services and promotional services to the district. However, the BID failed to maintain its security lighting system, BID Board members were not adequately informed of their responsibilities for decisions affecting the expenditure of BID funds, and the BID had some weaknesses in its internal controls over its receipts and disbursements.

The audit made these four recommendations to the Brighton Beach BID:

- The Brighton Beach BID should periodically check to ensure that the security lights are working and see that any necessary maintenance is performed.
- All members of the Brighton Beach BID's Executive Committee should be fully aware of their roles and exercise their responsibilities and authorities in the management of the BID.
- The Brighton Beach BID management should ensure that it is fully informed about its finances. This should include obtaining copies of Activity Reports for every period and reconciling them to the amounts received.
- The Brighton Beach BID should use an approval and authorization process for all purchases and payments.

The Brighton Beach BID generally agreed with the audit's recommendations.

**Update**

The Brighton Beach BID reported that it is implementing the audit's recommendations as follows:

- The BID is seeking funding from private and public organizations to help maintain its security lighting system.
- The BID has sent a Procedures Manual and memorandum to all Board members stating who has responsibility for signing checks and what the procedures are.
- The BID's management is informed when a payment is not made in a particular time period.
- The BID has purchased an "Approved" stamp to be used on invoices that are initialed and dated by the President or Treasurer. Each invoice is now stamped and signed before a check is issued.

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**DEPARTMENT OF BUSINESS SERVICES (DBS)**

Audit Report on the Financial and Operating Practices of the Kings Highway Business Improvement District

Audit # MG01-080A  
Comptroller's Audit Library # 7165  
Issued: February 23, 2001  
Monetary Effect: None

**Introduction**

The audit evaluated the adequacy and effectiveness of the Kings Highway Business Improvement District's (BID) internal controls, and assessed its compliance with City contract requirements.

Under City legislation, BID assessments are collected by the City and returned in their entirety to the BID. These monies are used to purchase services and improvements supplemental to the services already provided to the area by the City, and to enhance and promote the business district.



The Kings Highway BID was incorporated in the State of New York on November 23, 1982, by property owners, tenants, and groups with an interest in the area. In fiscal year 1999, the Kings Highway BID had revenues of \$221,761 and expenditures of \$241,883, the difference of \$20,122 coming from surplus funds from prior years. It was the 24th largest of the 40 BIDs in New York City.

### **Results**

Since its formation in 1982, the Kings Highway BID has been successful in providing supplemental sanitation and security services. As a result, the area covered by the BID is a cleaner place today than it was in 1990. During fiscal year 1999, the BID supplemented City police throughout the holiday season and during the different street activities sponsored by the BID. In addition, the BID supplements City sanitation services with two workers who patrol the district eight hours a day on Mondays, Wednesdays, Fridays, and Sundays; four hours a day on Tuesdays, Thursdays, and Saturdays. The BID also has advertising and promotional activities, which are designed to promote the district. The BID has promoted the area by advertising in newspapers and on the radio, and sponsoring social events such as fashion shows, sidewalk sales, and health fairs. The BID's promotional services also include quarterly newsletters, installation of decorative banners, and holiday lighting. However, we found weaknesses in the BID's internal control system due, in part, to a lack of segregation of duties. In addition, we found that the BID maintains its accounting records differently than its financial statements, the BID does not maintain a cash receipts journal or a general ledger, the BID had a number of minor discrepancies in its disbursements, and the BID does not maintain copies of competitive bids.

The audit made the following six recommendations. The Kings Highway BID should:

- Ensure that the functions of processing, recording, and reviewing transactions are divided between two or more employees and/or implement other compensating controls.
- Maintain its records on the accrual basis of accounting, which would enable the general ledger to accurately support the amounts shown in the financial statements.

- Maintain a cash receipts journal and a general ledger to accurately support the amounts in the financial statements.
- Maintain back-up documentation for all revenues received.
- Ensure that its staff accurately records and documents transactions, and properly retains records, receipts, and invoices.
- Solicit and maintain copies of competitive bids for all products and services, especially for contracts valued at more than \$5,000.

Although the Kings Highway BID did not specifically address the recommendations in its response, it stated that the Executive Committee would review the recommendations at a later meeting and implement as many of the suggestions as possible, after bringing them before the full Board of Directors.

**Update**

The Kings Highway BID reported that it has implemented two recommendations: bank reconciliations are done each month in-house and every check has a corresponding invoice, with the exception of payroll.

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**DEPARTMENT OF BUSINESS SERVICES (DBS)**

Audit Report on the Financial and Operating Practices of the White Plains Road Business Improvement District

Audit # MG01-123A  
Comptroller's Audit Library # 7226  
Issued: May 3, 2001  
Monetary Effect: None

**Introduction**

This audit evaluated the adequacy and effectiveness of the White Plains Road Business Improvement District's (BID) internal controls, and assessed its compliance with City contract requirements.

Under City legislation, BID assessments are collected by the City and returned in their entirety to the BID. These

monies are used to purchase services and improvements supplemental to the services already provided to the area by the City, and to enhance and promote the business district.

The White Plains Road BID was incorporated in the State of New York on June 8, 1994, by property owners, tenants, and groups with an interest in the area. In fiscal year 2000, the BID reported revenues of \$81,291 and expenditures of \$68,916. It was the 39<sup>th</sup> largest of the 40 BIDs in New York City.

### **Results**

Since its formation in 1994, the White Plains Road BID has been successful in providing supplemental sanitation and graffiti-removal services in the district. As a result, the area covered by the BID is a cleaner place today than it was in 1994. The BID also provides promotional services. For example, the BID hangs holiday lighting and seasonal banners and sponsors annual sidewalk fairs and Back-to-School Sales Days along White Plains Road. However, there were weaknesses in the Board's oversight and management of the BID and in the BID's internal control system, due to a lack of segregation of duties. In addition, the BID maintains its accounting records differently than that needed to prepare its financial statements; the BID does not maintain adequate accountability over its disbursements (this results in discrepancies in the accounting records); and the BID does not follow proper bidding procedures when contracting for the supplemental services it provides.

The audit made 13 recommendations to the White Plains Road BID, the most important of which are listed below. The White Plains Road BID should:

- Ensure that the functions of processing, recording, and reviewing transactions are divided between two or more individuals, or implement other compensating controls.
- Maintain its records on the accrual basis of accounting.
- Ensure that its staff accurately records and documents transactions and properly retains records, receipts, and invoices.
- Solicit and maintain copies of competitive bids for all products and services, especially for contracts valued at more than \$5,000.

White Plains Road BID officials agreed with the audit's findings and recommendations, and indicated that adjustments made to their operating procedures will fully address the recommendations.

**Update**

The White Plains Road BID reported that it is implementing all of the audit's recommendations, including the following:

- The BID has hired a new consultant, who currently maintains all minutes and financial records in the BID's office.
- The BID asserts that all statements made in its Annual Reports are accurate and supported.
- At least two members of the Executive Board will review bank reconciliations, expense vouchers, and financial statements.
- The BID now uses the QuickBooks computer program for maintaining accounts receivables.
- Vouchers are written and approved by at least two Executive Committee Members. Checks are then approved and signed by two Executive Committee Members.
- The BID will seek competitive bids for all contracts in excess of \$5,000 as they come up for renewal.

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**DEPARTMENT OF BUSINESS SERVICES (DBS)**

Audit of Internal Controls and Operating Practices of the Flatbush Avenue Business Improvement District (BID)

Audit # MH01-116A

Comptroller's Audit Library # 7230

Issued: May 18, 2001

Monetary Effect: None

**Introduction**

This audit assessed the Flatbush Avenue Business Improvement District's (Flatbush Avenue BID) compliance with regulations and statutes in relation to its District Plan and contract with the New York City Department of Business Services (DBS). It also evaluated the adequacy and

effectiveness of the BID's internal controls in relation to its disbursements, receipts, performance of accounting functions, submission of required reports to oversight authorities, and compliance with City contract requirements.

**Results**

The Flatbush Avenue BID has been successful in providing supplemental sanitation, security, and graffiti removal services. As a result, the area covered by the Flatbush Avenue BID is a cleaner and safer place today than it was in 1982 when the BID was first incorporated.

The overall responses to questions relating to the supplemental services provided by the BID of 219 businesses owners in the district were positive.

However, there are some weaknesses that the BID should address. The BID does not have a designated official to take on the financial duties of the BID during the absence of the Executive Director—especially while he is on vacation or becomes ill. The BID is not adequately monitoring the work hours of the two sanitation workers employed by the private contractor. In addition, the BID is not in compliance with DBS procurement requirements and did not establish written guidelines for the procurement of goods and services as set forth in its contract with DBS, Article 7 -§ 7.09. Furthermore, the BID did not solicit competitive bids from three outside vendors when it procured the services of outside vendors to perform supplemental services.

To address the findings, the audit made six recommendations including that the Flatbush Avenue BID should: designate and train a member of the Board to take on the financial duties and responsibilities of the Executive Director during his absence from the office; ensure that the sanitation workers sign in their arrival time at the beginning of their workday and sign out their departure time at the end of each workday; and comply with DBS' procurement regulations to solicit three responsible and competitive bidders for all products and services contracted by the BID.

The Flatbush Avenue BID implemented the recommendation regarding timekeeping procedures. However, it did not concur with the issues regarding their procurement procedures and had problems with three of the questions included in the auditors' questionnaire.

**Update**

The Flatbush Avenue BID reported that it has implemented four recommendations as follows:

- The Flatbush Avenue BID has invited all Flatbush BID merchants to BID board meetings.
- The president of the BID has the responsibilities of the BID director when the director is absent.
- The sanitation workers sign in when they arrive and sign out when they leave.
- The Flatbush Avenue BID reported that it chose the most responsive and competitive bids for the two big budget items: sanitation and security.

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**DEPARTMENT OF BUSINESS SERVICES (DBS)**

Financial and Operating Practices of the Bryant Park Management Corp. Business Improvement District (Bryant Park BID)

Audit # MJ01-142A

Comptroller's Audit Library # 7245

Issued: June 5, 2001

Monetary Effect: None

**Introduction**

This audit determined whether the Bryant Park Management Corp. Business Improvement District (Bryant Park BID) had adequate and effective internal controls and accountability of its funds, and assessed the Bryant Park BID's compliance with regulations and statutes applicable to its governance. The scope of our audit was fiscal year 2000 (July 1, 1999, to June 30, 2000).

All BIDs must sign contracts with the New York City Department of Business Services (DBS), the City agency that supervises and oversees all BIDs. DBS is responsible for determining whether each BID is in compliance with its district plan and its contract with DBS.

The Bryant Park Restoration Corporation (BPRC) was incorporated by the State of New York on February 20, 1980, with the goal of restoring the historic Bryant Park. In 1983, the Bryant Park BID was incorporated under the umbrella of BPRC. Measured by revenue from assessments, the Bryant Park BID was the 11<sup>th</sup> largest of the 40 BIDs in New York City in fiscal year 2000; the BID's fiscal year 2000 revenue from assessments totaled \$950,000. In fiscal year 2000, the combined entities (Bryant Park BID and BPRC) reported total revenues of \$3,339,464. (BPRC maintains the accounting records for the different operations under its administration, including the BID.)

**Results**

Since its establishment, the Bryant Park BID, has been successful in providing supplemental services to Bryant Park and has introduced carefully chosen commercial uses and special programs of the Park. The Bryant Park BID is the only BID that was formed for the purpose of renovating and maintaining a New York City park. Under an agreement with the City and the New York Public Library, BPRC assumed all responsibility for the maintenance of the Park and the management of the concessions of the Park.

The BID received 120 responses to a February 2001 survey of 300 BID members and local residents. The overall response to questions relating to BID services was positive: 83 percent of the respondents believed that conditions in the Park had greatly improved over the past ten years. In addition, 90 percent believed that the BID's role was very important in continuing the Park's improvement.

The Bryant Park BID supplements the safety and enforcement services provided by the New York City Police Department (NYPD) by providing its own security services. In the BID's survey, 88 percent of the respondents believed that security had significantly improved over the past ten years. The Bryant Park BID also supplements City sanitation services in the Park with its own sanitation services. Eighty-six percent of the survey respondents felt that cleanliness of the streets and sidewalks had improved over the last ten years.

The combined entities generally had good internal controls over receipts and disbursements, accounting functions, procurement requirements, and payroll functions.

However, there were minor weaknesses in regard to its leave and procurement practices.

The BID does not properly track the vacation leave used by its salaried employees to ensure that they do not exceed their annual vacation allowance. The Bryant Park BID generally complied with DBS's and its own policies and procedures for procurement. The BID did obtain proper authorization for seven of eight contracts reviewed. However, there was one instance in which the purchasing files did not contain documentation indicating that the BID obtained approval from DBS for a sole source contract totaling \$10,000.

The audit resulted in the following two recommendations that the BID should:

- More closely monitor vacation leave use of its salaried employees to ensure that they do not exceed their vacation leave allowances.
- Ensure that it follows its policies and procedures regarding sole source procurements and submits an approval request letter to DBS before paying for these services.

In its response, the BID generally agreed with the audit's recommendations.

**Update**

The BID did not provide follow-up information.

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**ADMINISTRATION FOR CHILDREN'S SERVICES (ACS)**

Audit of the City of New York's Administration for Children's Services Data Processing Controls and Procedures

Audit #7A00-151  
Comptroller's Audit Library # 7151  
Issued: January 2, 2001  
Monetary Effect: Not Applicable

**Introduction**

This audit evaluated (1) the adequacy of the Data Center's disaster recovery plans, program change control procedures, data security procedures, physical security procedures, and operational procedures for protecting ACS' computer assets and information, and (2) the Data Center's compliance with the Comptroller's Internal Control and Accountability Directive #18, *Guidelines for the Management, Protection and Control of Agency Information and Information Processing Systems*.

**Results**

During our review of ACS' Data Center data processing controls and procedures, we found that the Data Center has data backup procedures in place. We also found that ACS Data Security staff appropriately restricts the installation and transmission of unauthorized files over ACS' computer networks and that ACS has policies in place for restricting unauthorized entry into the Data Center room.

However, we found weaknesses in the following areas:

- The Data Center does not have a disaster recovery plan, thus leaving ACS vulnerable to business disruption in the event of a disaster;
- Data Center management has no change-control program policies and procedures to preclude the likelihood of new or modified programs being put into production before they have been authorized for use;
- Computer network security controls over dial-in access and administrative access need to be improved;
- The Data Center's fire protection and physical security controls need to be improved to reduce the risk of damage due to fire or catastrophic weather-related events;

- The Data Center's computer hardware and software inventory controls need to be improved to minimize the risk of loss of computer equipment and software.

We recommended that ACS MIS should:

- Develop and implement a disaster recovery plan that is in full compliance with Comptroller's Directive #18. This would include maintaining an off-site location for storing backup data;
- Create a formal change control program that fully meets the standards of Comptroller's Directive #18 and the GAO Federal Information System Controls Audit Manual;
- Set proper security features for remote dial-in users (i.e., activate the Callback function, restrict time of access, etc);
- Review all the ACS Enterprise network accounts with special privileges, determine the number of accounts that can be removed, and remove those accounts;
- Establish fire safety and fire control procedures. All staff members should be trained in such procedures;
- Secure the Data Center room against environmental risks. A possible solution, short of relocating the Data Center to a new and safer location, would be to wall in the windows of the Data Center room;
- Conduct annual inventory reconciliation procedures for all computer equipment it uses; and,
- Identify and maintain an inventory of the automated systems and software products that support each business function, including the numbers and types of software licenses in use.

We received a written response from ACS on December 27, 2000. ACS generally agreed to implement most of our recommendations and commented as follows:

"ACS MIS recognizes the need for developing and implementing better procedures to address disaster recovery, change management and hardware/software security concerns. Some of these goals will require additional staffing to best implement the recommendations. ACS MIS will look to put in place a longer-term strategic plan that will fully address compliance needs in all of these areas. To assist with this

goal, ACS MIS is preparing to hire a consultant to develop an infrastructure assessment study."

Update

ACS reported that it is implementing the audit's recommendations, including the following:

- ACS is working with a vendor (Veritas) to assist in developing a disaster recovery plan to include: a comprehensive test plan, procedures for plan update and maintenance, a procedure for maintaining offsite storage tapes, and a plan for a data center continuity. ACS is also working with the Human Resources Administration (HRA) and Veritas to develop plans and procedures to use HRA's Data Center facility for backing up ACS' data, maintaining backup tape copies, and providing disaster recovery capability.
- ACS is in the process of investigating, developing, and implementing additional security procedures for non-ACS Cisco users and remote dial-in users.
- ACS staff has been trained to use fire extinguishing equipment and procedures. ACS is also in the process of developing and implementing plans to work with the landlord to install smoke detectors in the ACS Computer Data Center that will be connected to the building's existing centralized fire alarm system.
- ACS has installed a 1/4-inch Plexiglas which covers the existing windows to protect the ACS Data Center room against environmental risks.
- ACS is developing procedures to conduct an annual inventory reconciliation of all computer equipment. ACS has also defined specifications to solicit a vendor to provide an inventory control analyst to: keep track of all site equipment; release equipment to LAN staff for installation; keep track of software licenses; make sure that unlicensed software is not installed; maintain inventory database and produce inventory reports; and assist LAN staff in locating computer equipment.
- ACS has developed a plan to identify and maintain an inventory of systems and software products, including the numbers and types of software licenses used.

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**ADMINISTRATION FOR CHILDREN'S SERVICES (ACS)**

Audit Report on Talbot Perkins Children's Services' Compliance with Its Child Care Agreement

Audit #FM00-120A

Comptroller's Audit Library # 7120

Issued: July 5, 2000

Monetary Effect: Actual Revenue: \$254,174

**Introduction**

This audit determined whether Talbot Perkins' Children's Services (Talbot Perkins) maintained adequate internal controls over its expenses, revenues, and days-of-care reporting, complied with certain State and City regulations, and established the final per diem rate for fiscal year 1998.

Talbot Perkins is a not-for-profit organization in Manhattan that provides foster care services. These services include placing individuals from birth up to age 21 in foster boarding homes. Foster care providers are reimbursed by the New York City Administration for Children's Services (ACS) for expenses based on an interim per diem rate, which is limited to the Maximum State Aid Rate established by the New York State Office of Children and Family Services and ACS. For the period July 1, 1997, to June 30, 1998 (fiscal year 1998), ACS reimbursed Talbot Perkins \$7,740,830 for providing services to 585 individuals in its foster boarding home program. In addition, Talbot Perkins received \$246,845 from ACS for its Independent Living Skills Program, an educational program for individuals who are at least 14 years of age.

**Results**

Talbot Perkins generally complied with the provisions of its child care agreement. It had an adequate system of internal controls over the recording and reporting of revenue and expenses. Thus, we are reasonably assured that Talbot Perkins' internal controls over its operations were sufficient and operating as prescribed by management. However, we did find that Talbot Perkins owes the City \$201,828 because of differences between the interim and final per diem rates. Furthermore, Talbot Perkins overbilled ACS by \$25,482 for days of care not provided, and had unused

funds of \$26,847 pertaining to its Independent Living Skills Program. As a result, Talbot Perkins owed the City \$254,174.

Further, Talbot Perkins' reported \$115,625 in costs on its *Report of Actual Expenditures DSS-2652* that should not have been charged to its foster boarding home program. However, since Talbot Perkins' program costs still exceeded its reimbursements after these improper charges were deducted, no recoupment of funds was warranted. In addition, Talbot Perkins received payments totaling \$44,571 from ACS for providing initial clothing allowances for individuals entering its foster boarding home program. However, Talbot Perkins did not maintain any receipts for initial clothing allowances.

Furthermore, Talbot Perkins' placement of children in 22 of 27 sampled foster boarding homes did not comply with State regulations and the occupancy limits established by Talbot Perkins. In some cases, the number of children placed in the boarding homes exceeded occupancy limits established by the State. In other cases, the age or gender of children placed did not comply with the requirements established by Talbot Perkins. As a result, the City could lose \$343,305 in State and Federal funding for the improper placements made by Talbot Perkins in the 22 foster boarding homes.

Finally, Talbot Perkins did not have *Annual Recertification Summaries* for 14 of 35 foster boarding homes for the 1997-1998 period and could not provide evidence that foster parent clearances were obtained for 2 of the 35 foster boarding homes.

The audit resulted in 11 recommendations, including that Talbot Perkins remit \$254,174 to the City, report its expenses and its days-of-care accurately, in accordance with New York State and ACS regulations, and adhere to State regulations when placing children in foster boarding homes. The report also recommended that ACS ensure that Talbot Perkins complies with the report's recommendations.

ACS agreed with the report's findings and recommendations, and responded that it will seek reimbursement of the \$254,174 Talbot Perkins owes the City. ACS also responded that Talbot Perkins would include only those expenses allowed by ACS and New York State Regulations on the *DSS-2652 Report of Actual Expenditures* and make every effort to report its days-of-care accurately. In addition,

ACS stated that it will monitor the adequacy of foster home certifications of contract agencies and that it will work closely with Talbot Perkins to implement the report's recommendations.

**Update**

ACS reported that Talbot Perkins is implementing the audit's recommendations, including the following:

- As of January 2002, ACS has recouped \$175,000 of the \$254,174 owed. The remaining \$79,174 is being deducted from Talbot Perkins' monthly advances and will be recouped by April 2002.
- Talbot Perkins' Office of Compliance is monitoring that caseworkers accurately report the movement of children in a timely manner. The caseworker prepares a "movement form" that is entered in a computer system that allows payment to the foster parent. ACS performs quarterly reconciliations to ensure accuracy of payments, rates, and care days to foster parents.
- Foster parents must provide receipts for initial clothing expenses.
- ACS' Internal Audit Unit monitors Talbot Perkins' compliance with State regulations regarding placement.

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**ADMINISTRATION FOR CHILDREN'S SERVICES (ACS)**

Audit Report on Harlem Dowling-West Side Center's Compliance with Its Child Care Agreement

Audit #FM00-180A

Comptroller's Audit Library # 7178

Issued: March 15, 2001

Monetary Effect: Actual Revenue: \$276,124

**Introduction**

This audit determined whether Harlem Dowling-West Side Center for Children and Family Services (Harlem Dowling) maintained adequate internal controls over its expenses, revenues, and days-of-care reporting, complied with certain

State and City regulations, and established the final per diem rate for fiscal year 1998.

Harlem Dowling is a not-for-profit organization in Manhattan that provides foster care services. These services include placing individuals from birth up to age 21 in foster boarding homes. Foster care providers are reimbursed by the New York City Administration for Children's Services (ACS) for expenses, based on an interim per diem rate that is limited to the Maximum State Aid Rate established by the New York State Office of Children and Family Services and ACS. For the period July 1, 1997, to June 30, 1998 (fiscal year 1998), ACS reimbursed Harlem Dowling \$12,042,982 for providing services to 1,223 individuals in its foster boarding home program. In addition, Harlem Dowling received \$351,918 from ACS for its Independent Living Skills Program, an educational program for individuals who are at least 14 years of age.

**Results**

Harlem Dowling generally complied with the provisions of its child care agreement. It had an adequate system of internal controls over the recording and reporting of revenue and expenses. However, the audit found that Harlem Dowling owes the City \$276,124 because of differences between the interim and final per diem rates and for excess days of care not provided.

The audit resulted in five recommendations, including that Harlem Dowling remit \$276,124 to the City and report its expenses and its days of care accurately, in accordance with New York State and ACS regulations. The report also recommended that ACS ensure that Harlem Dowling complies with the report's recommendations.

ACS agreed with the report's findings and recommendations, and responded that Harlem Dowling will remit the \$276,124 owed to the City. ACS also responded that Harlem Dowling would include only those expenses allowed by ACS and New York State Regulations on the *DSS-2652 Report of Actual Expenditures*, and make every effort to report its days-of-care accurately. In addition, ACS stated that it will work closely with Harlem Dowling to implement the report's recommendations.

**Update**

ACS reported that Harlem Dowling is implementing the audit's recommendations as follows:

- Harlem Dowling agreed to remit the \$276,124 it owes to the City. ACS sent Harlem Dowling written notice of the terms of repayment and recouped the money.
- Harlem Dowling will review applicable ACS and State regulations to ensure that only allowable expenses are included on the DSS-2652 report.
- Harlem Dowling maintains two years of records on-site, and records older than two years are stored at an off-site location.
- Harlem Dowling will report days-of-care accurately and in accordance with ACS and State regulations. ACS performs quarterly reconciliations to ensure accuracy of payments, rates, and care days. ACS will make adjustments for amounts due to or from ACS. Moreover, ACS conducts a year-end reconciliation to review reported expenses and ACS payments.
- ACS has given Harlem Dowling written notice that they are required to comply with the audit's recommendations.

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**ADMINISTRATION FOR CHILDREN'S SERVICES (ACS)**

Audit Report on Good Shepherd Services' Compliance with Its Child Care Agreement

Audit #FM00-181A

Comptroller's Audit Library # 7273

Issued: June 19, 2001

Monetary Effect: Actual Revenue: \$29,386

**Introduction**

This audit determined whether Good Shepherd Services (Good Shepherd) maintained adequate internal controls over its expenses, revenues, and days-of-care reporting; complied with certain State and City regulations; and was paid on the appropriate per diem rate for fiscal year 1999.



Good Shepherd, a not-for-profit organization, provided foster care services to approximately 800 individuals in fiscal year 1999. Foster care providers are reimbursed by the New York City Administration for Children's Services (ACS) for expenses, based on an interim per diem rate that is limited to the Maximum State Aid Rate established by the New York State Office of Children and Family Services and ACS. During fiscal year 1999, ACS reimbursed Good Shepherd \$11,189,136 for providing services to individuals in its foster care programs. In addition, Good Shepherd received \$272,873 from ACS for its Independent Living Skills Program, an educational program for individuals who are at least 14 years of age.

**Results**

Good Shepherd generally complied with the provisions of its child care agreement. It had an adequate system of internal controls over the recording and reporting of revenue and expenses. Thus, we are reasonably assured that Good Shepherd's internal controls over its operations were sufficient and operating as prescribed by management. However, the audit found that Good Shepherd owes the City \$29,386 because of differences between the interim and final per diem rates and for excess days of care not provided.

The audit recommended that Good Shepherd remit \$29,386 to the City and report its expenses and its days-of-care accurately, in accordance with New York State and ACS regulations. The report also recommended that ACS ensure that Good Shepherd complies with the report's recommendations.

ACS agreed with the report's findings and recommendations, and stated that Good Shepherd agreed to remit the \$29,386 to the City. ACS also responded that Good Shepherd would include only those expenses allowed by ACS and New York State Regulations on the *DSS-2652 Report of Actual Expenditures*, and make every effort to report its days-of-care accurately.

**Update**

ACS reported that Good Shepherd Services is implementing the audit's recommendations as follows:

- Good Shepherd agreed to remit the \$29,386 it owes to the City. ACS sent Good Shepherd written notice of the terms of repayment and has recouped the money.
- Good Shepherd will review applicable ACS and State regulations to ensure that only allowable expenses are included on the DSS-2652 report.
- Good Shepherd will make every effort to safely store and maintain documents and records needed to support all information reported to the State.
- Good Shepherd will report days-of-care accurately and in accordance with ACS and State regulations. ACS performs quarterly reconciliations to ensure accuracy of payments, rates, and care days. ACS will make adjustments for amounts due to or from ACS. Moreover, ACS conducts a year-end reconciliation to review reported expenses and ACS payments.
- ACS has given Good Shepherd written notice that they are required to comply with the audit's recommendations.

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**ADMINISTRATION FOR CHILDREN'S SERVICES (ACS)**

Audit Report on Inwood House's Compliance with Its Child Care Agreement July 1, 1997, to June 30, 1998

Audit # FN00-156A

Comptroller's Audit Library # 7122

Issued: July 10, 2000

Monetary Effect: Actual Revenue: \$99,667

**Introduction**

Inwood House Child Care Agency (Inwood) is a not-for-profit organization in Manhattan that provides such foster care services as housing and maternity care for unwed pregnant women up to the age of 18 (21 if they are still in school) and housing for the mothers and their newborn children at designated boarding homes. Foster care providers are reimbursed for expenses based on a per diem rate, which is limited to the Maximum State Aid Rate established by the New York State Office of Children and Family Services and the New York City Administration for Children's Services (ACS).

This audit determined whether Inwood maintained adequate internal controls over the reporting of expenses, revenues,

and days-of-care; was paid based on the appropriate per diem rate; and complied with certain ACS regulations. ACS reimbursed Inwood \$2,332,519 for providing services to 271 individuals in its programs for the period July 1, 1997, to June 30, 1998 (fiscal year 1998). In addition, Inwood received \$207,703 from ACS for its Independent Living Skills Program—an educational program for individuals in its care who are at least 14 years of age.

**Results**

Inwood generally complied with the provisions of its child care agreement. It had an adequate system of internal controls over the recording and reporting of revenue and expenses. Thus, there was reasonable assurance that Inwood's internal controls over its operations were sufficient and operating as prescribed by management. Inwood, however, did not return to ACS, unused funds pertaining to its Independent Living Skills Program, and made some minor errors in the recording and reporting of its revenue and expenses. As a result, Inwood owed the City \$104,368.

In addition, Inwood reported \$166,139 in costs that should not have been charged to its foster care programs. Because Inwood's program costs still exceeded its reimbursements after these improper charges were deducted, no recoupment of funds was warranted.

The report recommended that Inwood House remit \$104,368 to the City, report its expenses and its days-of-care accurately and in accordance with New York State and ACS regulations. The report also recommended that ACS ensure that Inwood complies with the report's recommendations.

ACS replied for Inwood House and itself in which both entities agreed with the audit's findings and recommendations. ACS responded that Inwood agreed to repay ACS \$104,272—\$96 less than the amount cited in the audit due to an adjustment in days-of-care; include only those expenses allowed by ACS and New York State Regulations on DSS-2652, *Report of Actual Expenditures*; and make every effort to report its days-of-care accurately. ACS stated that it will work closely with Inwood House to implement the recommendations.

**Update**

ACS reported that Inwood House is implementing the audit's recommendations as follows:

- ACS adjusted the final amount that Inwood owes the City from \$104,272 to \$99,667 because Inwood incurred 153 days of care not reimbursed by ACS. ACS has recouped the \$99,667 from Inwood.
- Inwood will include only allowable expenses on the DSS-2652 report according to ACS and New York State regulations.
- Inwood will make an effort to accurately report its days of care in accordance with ACS and New York State regulations. ACS performs quarterly reconciliations to ensure accuracy of payments, rates, and care days. ACS will make adjustments for amounts due to or from ACS. Moreover, ACS conducts a year-end reconciliation to review reported expenses and ACS payments.

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**ADMINISTRATION FOR CHILDREN'S SERVICES (ACS)**

Audit Report on Father Flanagan's Boys Town of New York and Its Compliance with Its Child Care Agreement July 1, 1998, to June 30, 1999

Audit# FN01-136A

Comptroller's Audit Library # 7217

Issued: April 27, 2001

Monetary Effect: Actual Revenue: \$8,499

**Introduction**

Father Flanagan's Boys Town of New York (Father Flanagan) is a not-for-profit organization in Brooklyn that provides foster care services. Foster care providers are reimbursed for expenses based on a per diem rate, which is limited to the Maximum State Aid Rate established by the New York State Office of Children and Family Services and the New York City Administration for Children's Services (ACS).

This audit determined whether Father Flanagan maintained adequate internal controls over the reporting of expenses, revenues, and days-of-care; was paid based on the appropriate per diem rate; and complied with certain ACS regulations. ACS reimbursed Father Flanagan \$1,349,934 for providing services to 41 individuals in its programs for the period July 1, 1998, to June 30, 1999 (fiscal year 1999). In addition, Father Flanagan received \$20,009 from ACS for its Independent Living Skills Program—an educational program for individuals in its care who are at least 14 years of age.

**Results**

Father Flanagan generally complied with the provisions of its child care agreement. It had an adequate system of internal controls over the recording and reporting of revenue and expenses. Thus, there was reasonable assurance that Father Flanagan's internal controls over its operations were sufficient and operating as prescribed by management. However, Father Flanagan owes the City \$8,499 because of differences between the interim and final rates, and errors in the reporting and recording of certain revenues, expenses, and days-of-care.

In addition, Father Flanagan reported \$114,996 in costs that should not have been charged to its foster care programs. These expenses included \$49,907 in undocumented expenses, and \$65,089 in expenses not allowed under New York State and ACS regulations. These disallowed costs did not result in an assessment because the final rates calculated (based on total program costs) exceeded the interim rates paid by ACS.

The report recommended that Father Flanagan remit \$8,499 to the City, report its expenses and its days-of-care accurately and in accordance with New York State and ACS regulations, and maintain supporting documentation for all reported expenses. The report also recommended that ACS ensure that Father Flanagan complies with the report's recommendations.

ACS responded for Father Flanagan and itself stating that both entities agreed with the audit's findings and recommendations. ACS responded that Father Flanagan agreed to repay ACS \$8,499; ensure that only those expenses allowed by ACS and New York State Regulations are included on its *Report of Actual Expenditures*, DSS-2652; and make every effort to

maintain records supporting all reported expenses. ACS further stated that Father Flanagan has implemented procedures to ensure that days-of-care are reported accurately and in accordance with ACS and New York State Regulations.

**Update**

ACS reported that Father Flanagan has implemented the audit's recommendations as follows:

- ACS will recover from the ACS March 2002 payout, the \$8,499 owed by Father Flanagan determined by the audit assessments for fiscal years 1993-1995.
- Father Flanagan will review ACS and New York regulations to ensure that only allowable expenses are included on the DSS-2652 report.
- Father Flanagan now has a fully implemented database, which is used to maintain documents for the current year and prior year expenses.
- Father Flanagan will maintain and accurately report its days of care in accordance with ACS and New York State regulations. ACS performs quarterly reconciliations to ensure accuracy of payments, rates, and care days. ACS will make adjustments for amounts due to or from ACS. Moreover, ACS conducts a year-end reconciliation to review reported expenses and ACS payments.

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**ADMINISTRATION FOR CHILDREN'S SERVICES (ACS)**

Audit Report on Brooklyn Society for the Prevention of Cruelty to Children and Its Compliance with Its Child Care Agreement

July 1, 1999, to June 30, 2000

Audit # FN01-152A

Comptroller's Audit Library # 7239

Issued: May 30, 2001

Monetary Effect: None

**Introduction**

Brooklyn Society for the Prevention of Cruelty to Children (Brooklyn Society) is a not-for-profit organization in Brooklyn that provides foster care services. Foster care providers are reimbursed for expenses based on a per diem rate, which is limited to the Maximum State Aid Rate established by the New York State Office of Children and Family Services and the New York City Administration for Children's Services (ACS).

This audit determined whether Brooklyn Society maintained adequate internal controls over the reporting of expenses, revenues, and days-of-care; was paid based on the appropriate per diem rate; and complied with New York State and ACS regulations. From July 1, 1999, to June 30, 2000, ACS reimbursed Brooklyn Society \$1,281,622 for providing services to 156 individuals. Brooklyn Society also received \$30,303 from ACS for its Independent Living Skills Program—an educational program for individuals in its care who are at least 14 years of age, and \$28,761 for its Substance Abuse Program—an educational program designed to prevent drug use.

**Results**

Brooklyn Society generally complied with the provisions of its child care agreement. It had an adequate system of internal controls over the recording and reporting of revenue and expenses. Thus, there was reasonable assurance that the amounts that Brooklyn Society reported to ACS were accurate, and that the reported expenses were appropriately documented and were in accordance with New York State and ACS regulations. However, Brooklyn Society reported \$1,507 in costs not allowed by New York State and ACS regulations.

The report recommended that Brooklyn Society include only those expenses allowed by ACS and New York State Regulations on its *Report of Actual Expenditures DSS-2652*.

ACS responded for Brooklyn Society and itself stating that both entities agreed with the audit's findings and recommendation.

**Update**

ACS reported that Brooklyn Society for the Prevention of Cruelty to Children is implementing the audit's recommendation.

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**ADMINISTRATION FOR CHILDREN SERVICES (ACS)**

Audit of the Martin de Porres Day Care Center's Compliance with its Contract with the New York City Administration for Children's Services (ACS)

Audit # FP00-136A  
Comptroller's Audit Library # 7136  
Issued: November 9, 2000  
Monetary Effect: Potential Revenue: \$29,037

**Introduction**

The Martin de Porres Day Care Center (Martin de Porres) sponsored by La Alianza de Damas Unidas, de Brooklyn, Inc., is a not-for-profit corporation which contracts with the Administration for Children's Services (ACS) to provide day care services to eligible children. Martin de Porres provides early childhood education, health nutrition, and social services to families and children in the community. During program year 1999, Martin de Porres received approximately \$1 million from ACS to provide day care services to approximately 231 children. In addition, Martin de Porres received \$315,606 from the New York State Department of Health (NYS DOH) Child and Adult Care Food Program to provide breakfast and lunch at the center.

This audit determined whether Martin de Porres complied with its day care contract.

**Results**

The audit found weaknesses in Martin de Porres's financial and operating procedures that made it difficult to account for all revenue and expenses. In addition, Martin de Porres did not comply with certain provisions of its day care contract. Specifically, we found that Martin de Porres:



- Failed to return unspent day care funds totaling \$29,924, as required by its contract with ACS.
- Undercharged parents for tuition fees by \$21,783 and used \$6,254 in tuition fees to pay for non-program-related expenses.
- Could not account for tuition fees totaling \$1,265 collected from parents.
- Failed to maintain complete records for donations and revenue from fund-raising activities. Moreover, this income was not identified on Martin de Porres's certified financial statements.
- Issued 333 checks totaling \$260,207 without two authorized signatures as recommended by ACS. During the last quarter of program year 1999 Martin de Porres started to require two signatures; therefore, 97 checks issued had both signatures. It should be noted Martin de Porres provided us with documentation showing that \$255,147 of the \$260,207 was for legitimate program-related expenses.
- Did not maintain documentation (i.e., invoices, receipts, etc.) for two disbursements totaling \$5,060. Therefore, we could not determine the legitimacy of these expenses.
- Failed to maintain personnel files for five former employees. Therefore we could not determine the appropriateness of payments totaling \$1,531 made to these individuals.
- Did not provide documents showing that appropriate background investigations were carried out on 49 of the 54 employees with personnel files.
- Did not provide documents, as required by its contract with ACS, showing that 18 of the 54 employees with personnel files had completed training in the identification, reporting, and prevention of child abuse and maltreatment.
- Paid approximately \$10,037 in salaries based on 982 hours that were not recorded on the employees' time records or charged to their vacation or sick leave time balances.
- Failed to maintain documentation showing that compensatory time used by three employees was actually earned.

The audit made nine recommendations to Martin de Porres, including that it should:

- Calculate, deposit, and use tuition fees in compliance with ACS' guidelines.
- Maintain complete and accurate records for all private funds collected.
- Ensure that all future certified financial statements include revenue generated and expenses incurred from donations and fund-raising activities.
- Ensure that it obtains the required background checks of all employees.

The audit also made three recommendations to ACS, including that it should:

- Ensure that Martin de Porres complies with the report's recommendations.
- Ensure that Martin de Porres returns all unused program funds in accordance with its contract.

In its response, ACS indicated that Martin de Porres has already implemented many of the recommendations.

**Update**

ACS reported that Martin de Porres has implemented all of the audit's recommendations. ACS will monitor the program to ensure compliance with its contract.

ACS has informed Martin de Porres of the amount of unspent day care funds due to ACS, which was reduced to \$29,037. ACS will request that the program submit a certified check for \$29,037, or starting with the July 2002 disbursement, ACS will deduct \$5,000 per month until the \$29,037 is recouped.

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**ADMINISTRATION FOR CHILDREN'S SERVICES (ACS)**

Audit of the Shirley Chisholm Day Care Center, Inc., Compliance with its Contract with the New York City Administration for Children's Services (ACS)

Audit # FP01-086A  
Comptroller's Audit Library # 7274  
Issued: June 22, 2001  
Monetary Effect: None

**Introduction**

Shirley Chisholm Day Care Center, Inc. (Center) was established in 1972 to "offer a program of daily activities designed to enhance the physical, emotional, social, and intellectual well-being of the children." During fiscal year 2000, the Center received \$2,361,303 from the City's Administration for Children's Services (ACS) to provide Day Care services to approximately 515 children. In addition, the Center received \$314,398 from the New York State Department of Health (NYS DOH) Child and Adult Care Food Program (Food Program) to provide breakfast and lunch at the Center.

This audit determined whether the Center complied with its day care contract.

**Results**

The audit found weaknesses in the Center's financial and operating procedures that made it difficult to account for all revenue and expenses. In addition, the Center did not comply with certain provisions of its day care contract. Specifically, the Center:

- Undercharged parents for tuition fees by \$17,415 and used \$6,523 in tuition fees to pay for non-program-related and undocumented expenses.
- Did not provide documentation supporting tuition fees collected at one of the day care sites.
- Did not maintain complete documentation supporting the collection of private fees at one of its three day care sites.
- Failed to maintain complete records for revenue from fund-raising activities.
- Did not maintain complete documentation for one disbursement totaling \$7,211. Therefore, we could not determine the legitimacy of this expense.
- Issued checks from its bank accounts that were signed by two board members who are brother and sister.
- Failed to obtain bids for six purchases of equipment greater than \$1,000, as required by its contract with ACS.

- Did not maintain documentation supporting the allocation of certain employee work hours that were charged to the Food Program.
- Loaned private tuition funds to a local business owner for the expansion of his business.
- Did not provide documents showing that appropriate background investigations were carried out for 14 of its employees.

The audit made nine recommendations to the Center. Among the major recommendations in the report was that the Center shall:

- Calculate, deposit, and use tuition fees in compliance with ACS' guidelines.
- Maintain complete and accurate records for all private funds collected.
- Ensure that it obtains the required background checks of all employees.
- Obtain bids for the purchase of services or equipment greater than \$1,000.

The audit also recommended that ACS closely monitor the Center to ensure that it complies with the report's recommendations and operates in accordance with ACS guidelines.

In its response, ACS indicated that it would work closely with the Center to ensure that all recommendations are implemented and deficiencies are corrected.

**Update**

ACS reported that the Shirley Chisholm Day Care Center is implementing the audit's recommendations, including the following:

- The Center has advised parents, in writing, of the correct fees and has begun charging the correct fees as of July 1, 2001. ACS has verified that the Center is charging the correct fees. The Center is also maintaining proper fee records at all sites and all funds from fees are included in its financial statements.

- The Center is recording and documenting all expenses and payments.
- The Center will solicit bids when the cost of equipment or services exceeds \$1,000.
- The Center is using funds from private tuition fees for program enrichment in accordance with ACS guidelines.
- All employees have the required clearance and criminal record checks on file. All employees will complete training in the identification, reporting, and prevention of child abuse and maltreatment.
- ACS has verified that the Center has taken corrective actions and will continue to monitor the Center to ensure its compliance with the audit's recommendations.

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**ADMINISTRATION FOR CHILDREN'S SERVICES (ACS)**

Audit of the Faith, Hope & Charity Day Care Compliance with its Contract with the New York City Administration for Children's Services

Audit # ME00-069A  
Comptroller's Audit Library # 7168  
Issued: February 27, 2001  
Monetary Effect: None

**Introduction**

The audit assessed the compliance of Faith, Hope & Charity Community Services, Inc. (Faith, Hope & Charity) with its contract with the Administration for Children's Services (ACS) to provide day care services in the Brownsville, Ocean Hill, East New York, Crown Heights, and Bedford-Stuyvesant areas of Brooklyn.

During fiscal year 1999, Faith, Hope & Charity was under contract with ACS to provide day care services for 917 children. The contract provided for 869 children to receive ACS-subsidized services at the organization's six centers, and for 48 children to receive ACS-subsidized services in 16 Family Day Care (FDC) providers' homes. (In addition, both the centers and FDC homes provided services to some private students.) For fiscal year 1999, Faith, Hope & Charity received \$4,560,080 through its contract with ACS; it also

received \$995,592 from the U.S. Department of Agriculture's Child and Adult Care Food Program.

**Results**

Faith, Hope & Charity was in compliance with some of the most critical provisions of its contract with ACS. Specifically, the organization ensured that: the centers and FDC homes were maintained in a safe and sanitary condition; that teacher-to-student ratios were within state guidelines; that FDC providers generally complied with applicable State regulations; and that Faith, Hope & Charity spent ACS funds on legitimate expenses related to the operations of its day care programs. Faith, Hope & Charity also complied with several of the fiscal requirements of its contract.

However, there are a number of problems with Faith, Hope & Charity's financial and operating practices that may impede the organization's ability to carry out its contracted day care programs as efficiently and effectively as possible. Most of these are in direct violation of the organization's contract with ACS.

Faith, Hope & Charity's employment of several family members of current employees was in violation of the organization's contract with ACS. The instances of nepotism that we found call into question the objectivity and professionalism of Faith, Hope & Charity's hiring practices and the ability of supervisory staff to fairly evaluate and properly manage staff members. In addition, Faith, Hope & Charity has widespread record-keeping problems. These are symptoms of poor internal controls, and can open the door to errors, irregularities, or fraud.

Examples of some of the specific problems we found related to the organization's financial and operating practices include that Faith, Hope & Charity: has inadequate timekeeping procedures for those employees who work on multiple programs; lacked evidence of background checks and mandatory training for many employees; could not account for all of the parent fees collected; did not deposit all private tuition fees collected into a bank account; and made some improper purchases using private tuition funds.

This audit made 20 recommendations to ACS and Faith, Hope & Charity, some of which are summarized below.

ACS should:

- Conduct a thorough investigation into Faith, Hope & Charity's hiring and personnel practices.
- Assist Faith, Hope & Charity in developing a tighter internal control structure.
- Monitor Faith, Hope & Charity in the future, conducting periodic reviews of its records.

Faith, Hope & Charity should:

- Improve its internal control structure and ensure that all records, including those related to personnel, purchasing, student attendance, and fees collected, are maintained accurately and in an organized manner.
- Develop detailed timekeeping procedures for employees who work on multiple programs, to ensure adequate controls over the timekeeping process.
- Obtain all required background checks for current employees, and ensure that all required background checks are performed for future employees and providers.
- Immediately arrange for training to detect child abuse and maltreatment for any current employees who do not have training certificates, and ensure that all future employees receive this training.
- Deposit all private tuition fees collected into a bank account maintained specifically for private tuition funds.
- Ensure that all purchases made using private tuition funds are to enhance the day care programs, and that all such purchases have sufficient supporting documentation.

ACS generally agreed with the audit's findings and stated that it will work with Faith, Hope & Charity to implement the audit's recommendations.

### Update

ACS reported that Faith, Hope & Charity is implementing the audit's recommendations, including the following:

- Faith, Hope & Charity has been reminded, in writing, of its obligations concerning its personnel hiring practices and

conflict of interest compliance. The Board of Directors have attended training sponsored by the Day Care Council and ACS. Faith, Hope & Charity asserts that there are no conflicts of interest in its hiring and personnel practices.

- ACS has provided Faith, Hope & Charity training and technical assistance in recordkeeping and internal controls.
- Faith, Hope & Charity is in compliance with timekeeping procedures for employees who work on multiple programs and maintain separate time records for each program that the employees work on. A supervisor reviews and verifies the timesheets and timecards.
- Faith, Hope & Charity has completed all background checks for all current employees.
- ACS has assisted Faith, Hope & Charity in arranging training in child abuse and maltreatment identification and reporting for all staff who did not have it.
- Faith, Hope & Charity is properly collecting, recording, reporting, and depositing parent fees into the ACS bank account.
- ACS technical assistance staff made several field visits to Faith, Hope & Charity. In addition, the executive director provided documentation that the program has implemented corrective actions. Faith, Hope & Charity had no deficiencies noted in the Fiscal Year 2001 audit report regarding bookkeeping, internal controls, attendance, timekeeping, inter-fund transfers or loans, and parent fees. ACS will continue to monitor Faith, Hope & Charity.

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**ADMINISTRATION FOR CHILDREN'S SERVICES (ACS)**

Audit Report on the Inwood Nursery Day Care Center's Compliance with its Contract with the New York City Administration for Children's Services

Audit # ME01-125A  
Comptroller's Audit Library # 7255  
Issued: June 11, 2001  
Monetary Effect: None



## Introduction

The objective of this audit was to determine whether the Inwood Day Care Center (Inwood) was in compliance with the provisions of its contract with ACS. The scope of this audit was fiscal year 2000.

Inwood is currently operating under a two-year contract with ACS to provide day care services to 60 children. The contract runs from July 1, 1999, through June 30, 2001. During fiscal year 2000, Inwood received \$448,290 from ACS to operate its day care program. In addition, Inwood received \$46,941 from the U.S. Department of Agriculture (USDA) Child and Adult Care Food Program (CACFP).

## Results

Inwood was in compliance with some of the most critical provisions of its contract with ACS. Specifically, Inwood ensured that its Center (including food preparation and storage areas) was maintained in a safe and sanitary condition, that teacher-to-student ratios in all classrooms were generally within established guidelines, and that ACS and CACFP funds were not co-mingled.

However, Inwood does not have an adequate internal control structure in place. This has contributed to poor record keeping and a number of other problems with Inwood's fiscal and operating practices. Some of the specific problems we found include that Inwood: undercharges private students; does not maintain a separate bank account for private students' tuition; does not properly control petty cash; does not have adequate controls over its payroll and timekeeping; does not have adequate controls to prevent inappropriate or unauthorized expenditures; does not maintain roll books that reconcile with the ACD-1s; lacks controls to safeguard its assets; and failed to submit its audit reports to ACS in a timely fashion.

The audit made 29 recommendations to ACS and Inwood; the most important of which are listed below.

- Inwood should improve its internal control structure and ensure that all records, including those related to personnel, purchasing, student attendance, and fees are accurately maintained.

- ACS should assist Inwood in developing an adequate internal control structure.
- Inwood should ensure that all parent fees collected are accurately accounted for and deposited into the ACS bank account.
- Inwood should immediately issue written procedures for, training employees in the use of, and implement a petty cash system.
- Inwood should ensure that the executive director reviews, approves, and signs all Daily Time Sheets so that all time worked and leave time taken are accurately recorded.
- Inwood should ensure that all purchases are properly authorized and for legitimate expenses. Inwood should consider using a purchase order system.
- Inwood should ensure that no ATM withdrawals are permitted from its accounts.
- Inwood should ensure that it maintains complete and accurate roll books reflecting the attendance of both ACS-subsidized and private students.
- ACS should monitor Inwood in the future, conducting periodic reviews of its records.
- Inwood should ensure that its audit reports are complete and submitted to ACS in a timely manner.
- ACS should develop a procedure to ensure that it receives audit reports from its contractors in accordance with its guidelines.

The Administration for Children's Services agreed with the audit's recommendations.

### **Update**

ACS reported that Inwood is implementing the audit's recommendations, including the following:

- Inwood has revised its procedures for collection of parent fees and private tuition, control of petty cash, timekeeping, payroll, and purchases. ACS will monitor Inwood to ensure that it is in compliance with ACS guidelines and the audit's recommendations.

- Inwood has developed procedures for collecting, recording, segregating responsibilities, and depositing parent fees to ensure that the fees are collected, accurately accounted for, and deposited in the ACS bank account. Inwood also has an accurate and up-to-date list of all private students. Private tuition fees are used for program enhancements according to ACS guidelines.
- Inwood now has an imprest petty cash fund. Inwood has discontinued the use of ATM cards. The director now approves purchases, and Inwood has an account for small purchases.
- Inwood has developed written timekeeping procedures. The executive director prepares a separate timesheet, which is approved by a member of the Board of Directors. Employees sign their Daily Time Sheets and complete the required Request for Leave form when using sick or vacation time. Inwood verifies that all time used by employees is recorded on the attendance record and accurate.
- All employees have the required background checks and have been trained in the prevention of child abuse and maltreatment.
- ACS has issued Interim Audit Guidelines to ensure that Inwood's year-end audits are submitted in a timely manner and completed in accordance with ACS guidelines.

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**ADMINISTRATION FOR CHILDREN'S SERVICES (ACS)**

Audit Report on the Misappropriation of Inwood Nursery Day Care Center Funds- July 1, 1999 to June 30, 2000

Audit # ME01-172A  
Comptroller's Audit Library # N/A  
Issued: May 9, 2001  
Monetary Effect: To be determined

This confidential audit report was referred to the New York County District Attorney's office.

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**ADMINISTRATION FOR CHILDREN'S SERVICES (ACS)**

Audit Report on the Effectiveness of the Administration for Children's Services' Child Support Helpline

Audit # MJ01-135A  
Comptroller's Audit Library # 7235  
Issued: May 23, 2001  
Monetary Effect: None

**Introduction**

This audit determined whether the Child Support Helpline of the Office of Child Support Enforcement Services (OCSE) complied with the Citywide Customer Service Initiative to answer calls in three rings or less and to limit telephone hold time to no more than two minutes. This audit also determined whether the Helpline provides accurate and useful telephone information to callers.

The Administration for Children's Services' (ACS) OCSE offers services to the public to ensure that legally responsible parents provide financial child support. In 1994, OCSE installed the Child Support Helpline (Helpline) system to provide basic child support information to clients and respondents without their having to travel to OCSE's offices. In 1999, OCSE added an Automated Call Distribution (ACD) system to enable callers to speak directly to a Helpline telephone representative (operator) from 8:30 a.m. to 5:00 p.m., Monday through Friday. The Helpline's automated information is available 24 hours a day, 7 days a week.

**Results**

The Helpline answered calls in three rings or less as required by the Citywide Customer Service Initiative. Once connected with our callers, the operators took the time to provide the information that we requested. The information they provided was accurate. Finally, OCSE's Helpline operators received the training necessary to carry out their responsibilities.

However, there were a number of weaknesses regarding the adequacy of Helpline's service to callers. In October and November 2000, we placed 97 test calls to the Helpline requesting operator assistance. Of these, 76 (78%) were disconnected when we requested operator assistance because

the system did not have sufficient resources (staffing, system capacity) to handle the volume of calls received. Three were disconnected because the OCSE had not adjusted the time in the system for eastern standard time. The remaining 18 calls were placed on hold an average of 15 minutes before being transferred to an operator's line, 13 minutes beyond the two-minute City standard. Of these 18 transferred calls, operators actually answered only 9; the remaining 9 calls went unanswered.

In December 2000, the agency hired an additional 20 operators, bringing the total number to 27. In February 2001, we conducted another test, placing 50 calls to the Helpline. Of the 50 calls, 20 (40%) were disconnected when we requested operator assistance. Of the 30 calls that were not disconnected, 3 were immediately answered by an operator. For the remaining 27 calls, callers were placed on hold an average of 6 minutes before being transferred to an operator's line; 4 of these calls were transferred within the two-minute standard. Finally, operators actually answered only 17 of the remaining 23 transferred calls.

The audit resulted in six recommendations, including those listed below. The Administration for Children's Services should:

- Attempt to increase callers' use of the automated attendant. To accomplish this, ACS should conduct a survey of callers who opt to speak with an agent and of walk-in customers, to determine why they did not use the automated attendant; and, based on the survey information, modify the automated attendant to address the concerns raised by Helpline callers.
- Program safeguards in the ACD system to prevent calls from being lost if operators neglect to put their lines in the "not ready" mode. Such safeguards might include a system default in which the system puts an operator's line in "not ready" mode if a call transferred to that line goes unanswered for 5 rings or more. The system would then transfer the unanswered call back to the hold queue to be answered by the next available operator.
- Modify the ACD system so that total call volume to the Helpline is counted and properly categorized, including calls requesting operator assistance, so that agency can determine true workload.

In its response, ACS generally agreed with the report's recommendations.

Update

ACS reported that it is implementing the audit's recommendations as follows:

- OCSE has assigned a specialist for operations who will work with Customer Services to improve operator efficiency. OCSE has also assigned a system administrator for the Customer Services Automated Call Distributor who will assist with the analysis and review of Helpline reports, operator efficiency, and the development of recommendations for appropriate actions.
- OCSE is currently evaluating a traffic study recently completed by Verizon.
- OCSE plans to eliminate flextime and institute alternate lunch hours for Customer Services staff by February 2002. This change should improve coverage during Helpline hours.

ACS had increased the number of operators from 7 to 27. However, the current number of operators has dropped to 20, which has resulted in increased waiting time. Because of attrition and the hiring freeze, implementation of this recommendation will take additional time.

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**DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES (DCAS)**

Follow-up Audit Report on the Development of an Automated Fleet Management System

Audit # 7F01-169

Comptroller's Audit Library # 7260

Issued: June 13, 2001

Monetary Effect: Not Applicable

**Introduction**

This follow-up audit determined whether the Department of Citywide Administrative Services (DCAS—formerly the Department of General Services, DGS) implemented the recommendations made in an earlier audit entitled *Audit Report of the Department of General Services' Development of Automated Fleet Management Systems* (Audit No. 7A96-085, issued June 5, 1996). The prior audit cited limitations in the Fleet Administration Maintenance Information System (FAMIS) and reported that FAMIS did not meet the users' needs. DCAS canceled the Fleet Administration Computerized Tracking System (FACTS) project, which was to replace FAMIS, before it was completed. In addition, FACTS suffered problems that have typically plagued other system development projects that have been reviewed: ineffective project management, lack of independent quality assurance (QA), the inability of the agency to finalize a set of requirements, and difficulties in working with outside consultants.

During this follow-up audit, appropriate agency personnel were interviewed and documentation was obtained to determine whether DCAS and other responsible City entities had implemented the previous audit's recommendations. Specifically, the audit reviewed whether DCAS: (1) had established requirements for the consultants; (2) had prepared a quality assurance plan; (3) had performed an analysis to ensure that all necessary functions were carried over to the new system; and (4) had prepared requirement documents that identify data fields, testing scenarios, and various prototyping recommended in the previous audit.

The previous audit made 13 recommendations. Some of the major recommendations were that DCAS' management ensure that: (1) FAMIS data fields would be converted to ensure the correct information is in these fields, (2) a quality assurance contractor ascertains that the package selected

meets user needs, and (3) FAMIS functions required by users would be carried over to the new system.

**Results**

All of the previous audit's recommendations have been implemented. Therefore this report made no new recommendations.

**Update:** Not Applicable

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**THE CIVIL SERVICE COMMISSION (CSC)**

Follow-up Audit on the Civil Service Commission's Timekeeping, Payroll, and Purchasing Operations

Audit # ME01-076F

Comptroller's Audit Library # 7197

Issued: April 5, 2001

Monetary Effect: None

**Introduction**

The Civil Service Commission (CSC) is authorized under Chapter 35, § 813, of the New York City Charter, to hear and decide appeals from disputes between the City of New York and its employees or applicants for City employment. As of July 1, 1999, CSC's staff consisted of six full-time employees; seven paid interns; and five Commissioners. One Commissioner is designated Chairman. During fiscal year 2000, CSC spent a total of \$443,907-\$417,078 on Personal Service expenditures and \$26,829 on Other Than Personal Service expenditures.

This follow-up audit determined whether CSC: implemented the six recommendations made in the prior audit, *Audit Report on Civil Service Commission Payroll and Imprest Fund Operations January 1, 1994, to December 31, 1994* (Audit No. FR96-131A, issued June 25, 1996); complied with applicable City payroll and timekeeping procedures; and complied with applicable City purchasing procedures.

**Results**

The audit found that CSC fully implemented four recommendations and partially implemented the remaining two recommendations that were made in the prior audit. The four recommendations that were fully implemented pertained to enforcing adequate filing and record-retention procedures, ensuring that timekeeping documents are properly approved, ensuring that the individual responsible for payroll distribution does not have any other payroll, personnel or timekeeping responsibilities, and enforcing managerial leave regulations. The two recommendations that were partially implemented pertained to segregating duties over its payroll, personnel, timekeeping, and imprest fund operations.

In addition to following up on the prior audit's recommendations, the audit included various tests of CSC's PS

and OTPS expenditures for fiscal year 2000. The audit found that CSC generally complied with applicable Comptroller's Directives, as well as with the City's Payroll Management System procedures. However, the audit found minor problems within CSC's timekeeping, purchasing, and imprest fund practices. Specifically, the audit noted that: employees and paid interns either did not take the required lunch break or took a shorter lunch break so that they could leave work early; employees were not charged for a total of 15 hours and 45 minutes of leave they used; CSC did not require that its employees submit written requests for annual leave use; procurement files for 45 of the 50 purchases reviewed lacked evidence indicating that the goods or services ordered and paid for were actually received; CSC charged the wrong object codes for 32 of the 50 purchases made during fiscal year 2000; CSC did not pay vendors timely for 23 of the 50 purchases made during fiscal year 2000; imprest fund checks were not pre-printed with the restrictive statement "void after 90 days,"; two checks (for petty cash) were made out to "Cash;" and CSC does not have an inventory list of its non-capital assets.

To address these issues, this follow-up audit repeated the two recommendations from the prior audit that had been only partially implemented and made six new recommendations, including that CSC:

- Assign the responsibilities of preparing timesheets, approving timesheets, and entering timesheet information into PMS to different individuals;
- Establish a written policy governing meal periods indicating the duration of meal periods, when employees and paid interns can work through their meal periods, and that prior written approval is necessary before anyone can work through meal periods.
- Require employees to submit leave forms when requesting annual leave usage.
- Follow the Procurement Policy Board Rules and Comptroller's Directive #24 to ensure that: documentation is maintained in the procurement files indicating that the goods or services ordered and paid for were received; purchases are charged to the correct object codes; bids are obtained, and payments are made timely.

CSC officials generally agreed with the findings and recommendations. However, they did not agree with certain examples cited in the report related to charging leave balances for hours employees were not at work, documenting receipt of goods purchased, and using incorrect object codes. In addition, CSC officials pointed out that the late payments to vendors cited in the report did not result in any extra costs to the City.

**Update**

CSC did not provide follow-up information.

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**BRONX COMMUNITY BOARD NO. 3**

Follow-up Audit on the Financial and Operating Practices of Bronx Community Board No. 3

Audit #MD01-063F  
Comptroller's Audit Library # 7133  
Issued: October 23, 2000  
Monetary Effect: None

**Introduction**

This follow-up audit determined whether Bronx Community Board No. 3 (the Board) implemented the four recommendations made in an earlier audit, entitled *Audit Report on the Financial and Operating Practices of Bronx Community Board No. 3* (Audit No. MH97-159A issued June 2, 1997). The earlier audit determined that the Board generally complied with the "Procedural Guidelines for Community Boards" and other applicable City laws and regulations. However, there were instances where internal controls and procedures for purchasing and timekeeping could be improved.

Total fiscal year 2000 expenditures for the Board was \$141,881 -- \$126,269 for Personal Services (PS), and \$15,612 for Other Than Personal Services (OTPS) expenditures.

**Results**

The Board implemented the four recommendations of the prior report, and generally followed the *Procedural Guidelines for Community Boards* and other applicable policies and directives.

Since the audit report did not contain any recommendations, officials from the Community Board and the Borough President's Office both agencies agreed to forgo a written response.

**Update:** Not Applicable

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**BRONX COMMUNITY BOARD NO.9**

Follow-up Audit on the Financial and Operating Practices of Bronx Community Board No.9

Audit # FR01-061F  
Comptroller's Audit Library # 7138  
Issued November 27, 2000  
Monetary Effect: None

**Introduction**

This follow-up audit determined whether Bronx Community Board No.9 implemented the 14 recommendations made in an earlier audit, entitled *Audit Report on the Financial and Operating Practices of Bronx Community Board No. 9* (MD97-193A, issued December 2, 1997). The earlier report evaluated the Board's payroll, timekeeping, and Payment practices.

During our previous audit, we identified various weaknesses in the Board's practices including that the Board paid invoices late, did not maintain adequate controls over vouchers, did not maintain accurate timekeeping records, and did not ensure that time earned and used was properly recorded and approved.

**Results**

The Board implemented five of the ten recommendations contained in the previous report and did not implement the other five recommendations.

The five recommendations that were implemented related to paying invoices within the required 30 days, ensuring that employees do not alter the dates on invoices, ensuring that vouchers are sequentially numbered, ensuring that sick leave is documented in accordance with City guidelines, and ensuring that the Board's employees are aware of the rules relating to compensatory time usage.

The five recommendations that were not implemented related to the Board verifying the accuracy of its employees' time sheets, obtaining PMS-generated Employee Leave Details Reports, using the Employee Leave Details Reports to ensure that employees' leave balances are accurate, ensuring that flextime earned by the District Manager is pre-approved, and monitoring compensatory time.

This follow-up audit also found that the Board did not pre-approve compensatory time earned and used by its employees, in accordance with the *Guidelines for Community Boards*. (This issue was not raised in the prior report.)

The report makes six recommendations to the Board. In its response, the Board stated that five of the recommendations either were already being implemented or would be implemented in the future. The Board's response did not address one of the report's recommendations.

**Update**

The Board reported that it has implemented the following recommendations:

- The Bronx Borough President's Office provides the Board with a bi-weekly Leave by Work Unit Report instead of the quarterly Employee Leave Detail Report. The Board's accumulated time and record keeping is maintained by the Fiscal/Personnel Department of the Bronx Borough President.
- Since July 2000, the Board has reverted to a login time book because of problems it had with the malfunctioning of the time clock. All employees are required to sign in and out daily. The time book is signed and approved weekly by the District Manager.
- The Board has implemented the pre-approval of all Flextime for District Managers prior to its accumulation and use. However, when the District Manager is called to emergency meetings, pre-approval cannot be obtained. Flextime is approved afterwards by the Chairperson.
- The Bronx Borough President's Office converts all compensatory time not used within a four-month period of accumulation is converted to sick leave.

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**MANHATTAN COMMUNITY BOARD NO. 10**

Follow-up Audit on the Financial and Operating Practices of Manhattan Community Board No. 10

Audit # MH00-194F  
Comptroller's Audit Library # 7148  
Issued: December 27, 2000  
Monetary Effect: None

## Introduction

This follow-up audit was conducted to determine whether Manhattan Community Board No. 10 implemented the recommendations made in an earlier report, *Audit Report on the Financial and Operating Practices of Manhattan Community Board No. 10, July 1, 1996, to June 30, 1997* (Audit # MH97-185A, issued December 23, 1997). The prior audit reviewed the Board's compliance with applicable personnel, payroll, timekeeping, and purchasing procedures. In our current audit, we discuss the recommendations cited in the previous audit report, as well as the conditions found during our current audit.

The previous audit found that the Board did not comply with purchasing regulations. In addition, its internal controls over physical assets and its timekeeping procedures for personal service (PS) expenditures needed improvement. To address these issues, we made nine recommendations in the previous audit.

## Results

During this follow-up audit, we found that the Board did not implement four of the nine recommendations in our previous audit. The Board partially implemented two recommendations, and fully implemented two recommendations. One recommendation was no longer applicable. Based on FMS records of vouchers processed in fiscal year 2000, we found that the Board did not comply with purchasing regulations. In addition, the Board did not strengthen its internal controls over physical assets. The Board has made a conscious effort to improve compliance with timekeeping procedures, and has made vast improvements, although weaknesses still exist.

To address the findings that were not implemented or partially implemented, we restated some of the recommendations from the previous audit. The recommendations included that the Board should use DCAS' catalogue contract with Staples for the purchase of routine supplies; process miscellaneous vouchers in accordance with Comptroller's Directive #25; and ensure that all Manhattan Community Board personnel, including the District Manager, complete the

appropriate leave authorization documents prior to using annual leave or sick leave.

In his response, the Chairman of Manhattan Community Board No. 10 agreed to implement all the recommendations.

**Update**

The Board did not provide follow-up information.

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**NEW YORK CITY COMPTROLLER'S OFFICE**

Cost Allocation Plan Fiscal Year 2000

Report # FM01-092S

Comptroller's Audit Library # N/A

Issued: February 27, 2001

Monetary Effect: None

**Introduction**

The Cost Allocation Plan is used to identify and distribute allowable indirect costs of certain support services to City agencies. A portion of these costs may eventually be passed on to programs eligible for federal funding, and thus be reimbursed indirectly to the City.

Our review resulted in a summary schedule being sent to the Office of Management and Budget (OMB). The schedule indicated (by Bureau) the percentage of staff time spent providing services to various City agencies during fiscal year 2000. The time allocation was based on various statistics, including unit head-counts, staff days expended for a project, and the number of vouchers and documents processed during the period.

**Results**

A letter report was issued to the OMB indicating various statistics for inclusion in its annual Cost Allocation Plan.

**Update**: Not Applicable

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**BOARD OF CORRECTION (BOC)**

Follow-up Audit on the New York City Board of Correction Small Procurement and Vouchering Practices

Audit # MH00-197F  
Comptroller's Audit Library # 7219  
Issued: April 30, 2001  
Monetary Effect: None

**Introduction**

This follow-up audit determined whether the New York City Board of Correction (BOC) implemented the recommendations made in an earlier audit report, *New York City Board of Correction Small Procurement and Vouchering Practices* (Audit # FR96-115A, issued April 30, 1996). The prior audit found that vouchers lacked signatures on the Agency Verification of IFMS Processing; vouchers were processed for payment without being marked "Vouchered"; and BOC employees performed overlapping purchasing and vouchering duties. The current audit discusses the implementation status of the three recommendations made in the previous audit report, as well as additional findings and recommendations based on the current review of BOC's timekeeping procedures and controls over its physical inventory.

**Results**

Of the previous audit's three recommendations, BOC implemented the recommendation to mark all invoices "Vouchered" and was unable to implement the recommendation to cross-train employees in the purchasing and vouchering functions because of the lack of resources. The third recommendation—to compare the daily FISA transaction reports with the voucher copies on file—is no longer applicable, since BOC instituted a new computer-based procurement system.

This follow-up audit reported new findings. One finding dealt with BOC's inadequate monitoring of its Imprest Fund expenditures. Several findings dealt with timekeeping deficiencies, such as unauthorized use of leave time, accumulation of annual leave time beyond allowable amount, inadequate accounting of employee compensatory time, employees not taking their lunch hour as required, and undocumented sick leave. Another finding dealt with BOC's inadequate controls over its physical assets. To address the

new findings, the follow-up audit made eight recommendations, including the following, that BOC should:

- Ensure that all employees complete the appropriate leave authorization request prior to using annual leave or the floating holiday in accordance with Comptroller's Directive #13 § 4.5.
- Establish a written policy regarding the accumulation and usage of compensatory time. This policy should require employees to indicate the accumulation and usage of compensatory time on their timesheets.
- Maintain a listing of all its major physical assets. This listing should be updated for purchases and relinquishments as they occur.

In its response, BOC generally agreed with the audit's recommendations. However, BOC took exception to our interpretation of compensatory hours earned and used by their staff.

#### Update

BOC reported that it has implemented seven recommendations, including the following:

- BOC has instructed all employees to follow all applicable procedures regarding purchasing items with Imprest Funds. Employees submit supporting documentation for all Imprest Fund purchases.
- BOC has improved its leave request forms. BOC requires that all employees submit a completed form and obtain approval.
- BOC's timekeeper follows *DCAS Leave Regulations*.
- All employees are required to take lunch.
- BOC maintains a list of all major physical assets.

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**NEW YORK CITY DEPARTMENT OF CORRECTION (DOC)**

Follow-up Audit Report on the New York City Department of Correction Data Center

Audit # 7F01-138  
Comptroller's Audit Library # 7290  
Issued: June 28, 2001  
Monetary Effect: None

**Introduction**

This follow-up audit determined whether the New York City Department of Correction (DOC) implemented the 30 recommendations made in the previous audit, *New York City Department of Correction Data Center Audit* (Audit # 7A97-203, issued April 20, 1998), which evaluated the adequacy of the DOC data center's physical security, program change control, computer operations, and backup/contingency plans.

The previous audit found that DOC did not have a disaster recovery plan, had inadequate data security user controls, lacked a fire detection system under the data center, did not routinely maintain or test the data center emergency power supply, and did not have a comprehensive operational policy document.

**Results**

Of the 30 recommendations in the prior report, 17 were fully implemented, 4 were partially implemented, and 9 were not implemented.

The 17 fully implemented recommendations included: changing user passwords; restricting dial-up access; documenting problems encountered by MIS personnel; improving the data center fire safety system; testing and maintaining the uninterrupted power source; securing back-up tapes at an off-site location; and tracking program changes.

The four partially implemented recommendations included: preparing a formal disaster recovery plan; incorporating a call-back feature; requiring user sign-off on program changes; and developing comprehensive operational policies.

The ten recommendations not implemented included: establishing an alternative processing site; periodically updating and testing the disaster recovery plan; reviewing

all accounts with special privileges; cleaning and inspecting the area under the raised floor of the data center; obtaining a backup generator for the data center; and securing the data center emergency cutoff switch.

To address the unresolved issues, this audit report made 11 recommendations, some of which follow. DOC should:

- Expedite the Rikers Island data processing facility project so it can be used as an alternate processing site.
- Prepare a formal disaster recovery plan that includes all current operating environments; update and test it periodically.
- Implement a procedure to periodically review all accounts with special or high-level privileges.
- Develop a comprehensive document that includes all existing operational policies.

It was difficult to determine from DOC's response whether it agreed with the current audit's recommendations since it directed its response to the recommendations from the previous audit. We invited DOC to submit a revised response, but the agency declined. Of the 12 recommendations contained in this report, it appears that DOC agreed with 5, disagreed with 4, and did not address 2. The remaining recommendation concerning uninterrupted power source machines was removed based on documentation provided by DOC subsequent to the issuance of the draft report.

### Update

DOC reported that it is implementing 9 recommendations, including the following:

- DOC is in the process of entering into an agreement with another alternate processing site to be used until the Rikers Island site is ready.
- DOC is preparing a formal disaster recovery plan but cannot complete it until the remote data center at Rikers Island is finalized.
- DOC has tested and implemented the first phase of the disaster recovery plan. However, further testing will be

done after the remote data center at Rikers Island is finalized.

- The data tape cabinets are kept locked virtually all of the time.
- Users sign off on changes before implementing them.
- DOC is developing a document that includes its existing operational policies. DOC anticipates that this document will be completed by the end of calendar year 2002.

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**NEW YORK CITY DEPARTMENT OF CORRECTION (DOC)**

Follow-up Audit on the New York City Department of Correction's Compliance with City Procurement Rules

Audit # MG00-124F

Comptroller's Audit Library # 7118

Issued: July 5, 2000

Monetary Effect: None

**Introduction**

The Department of Correction (Correction) provides for the custody, control, and care of misdemeanants and felons sentenced to one year of incarceration or less; detainees awaiting trial or sentence; newly sentenced felons awaiting transportation to State correctional facilities; alleged parole violators awaiting revocation hearings; and State prisoners awaiting court appearances in New York City.

To purchase goods and services, Correction, as a City agency, is required to follow procurement laws and rules contained in the New York State General Municipal Law, the New York City Charter and Administrative Code, and in the New York City Procurement Policy Board rules (PPB rules).

This audit was a follow-up audit of the implementation status of the five recommendations made in a previous audit report entitled *Audit Report on the New York City Department of Correction's Compliance with City Procurement Rules* (Audit No. MH96-129A) issued June 25, 1996.

## Results

The prior audit report made five recommendations; of which Correction implemented one and partially implemented another two. Correction implemented the recommendation (1) to ensure that purchase orders accurately reflect the lowest price bid, and partially implemented the recommendations (2) to register its contracts timely and (3) to make purchases through the Department of General Services' requirement contracts and Central Storehouse. Correction did not implement the remaining two recommendations: (4) date-stamp all proposals and bids at receipt, and (5) not split purchases or otherwise keep purchases below the sealed competitive bid threshold. This follow-up audit still recommends that Correction fully implement these four recommendations, and makes two additional recommendations on these findings.

In addition to following up on the current status of the previous recommendations, this audit reported on several new findings: Correction did not always comply with applicable PPB rules for small purchases, Correction's Central Office of Procurement (COP) does not maintain a computerized listing of purchases, Correction's procurement Hubs do not routinely submit monthly procurement reports, and contract awards were not advertised in the City Record after the contract was awarded.

This audit made seven recommendations on these new findings, including:

- Correction's Central Office of Procurement should maintain a computerized listing of all purchases made by Correction. This list should include Correction's corresponding internal tracking number for each purchase order, as well as the vendor name, the purchase order number, and the dollar amount for every purchase made.
- Correction should ensure that all procurement Hubs submit the required monthly procurement reports.
- Correction should ensure that its Central Office of Procurement is reviewing and monitoring the Hubs monthly purchasing reports. COP should establish requirement contracts when the purchasing reports indicate that the agency is procuring similar goods or services in amounts that exceed the small purchase limits.

- Correction should ensure that all contract awards are advertised in the City Record within 15 calendar days after registration of the contract.

The audit made 13 recommendations. Correction believes that 4 recommendations were unnecessary. It is Correction's contention that these recommended changes were already in place. For the remaining 9 recommendations, Correction agreed with 6, disagreed with 2, and claimed that 1 recommendation is no longer applicable.

**Update**

Correction reported that it is implementing the audit's recommendations, including the following:

- Correction dates and time stamps all envelopes and packages containing bids and proposals upon receipt.
- Correction accepts no bids or proposals after the deadline date or time.
- Except for monthly reports from the hub, all procurements are now directed through the Central Office of Procurement (COP) before final processing and payment is made.
- Correction's purchasing staff reviews all incoming requisitions to determine whether the items needed are on Department of Citywide Administrative Services (DCAS) requirement contracts before issuing a solicitation.
- Correction has issued a reminder to all staff that all non-Hub procurements must be processed through the COP.
- Correction maintains a computerized list of procurements in the Financial Management Systems Division and the MIS Division recently created and installed a fully computerized procurement management and tracking program for COP.
- COP has issued a memo under the Agency Chief Contracting Office's (ACCO) signature reminding the procurement Hubs of their obligation to submit monthly procurement activity reports.
- The ACCO has reassigned the task for advertising contract awards in the City Record to ensure that the contract awards appear in the City Record 15 days after registration by the Comptroller's Office.

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**DEPARTMENT OF CULTURAL AFFAIRS (DCA)**

Audit Report on the Financial and Operating Practices of the Queens Botanical Garden July 1, 1999 to June 30, 2000

Audit # MD01-126A  
Comptroller's Audit Library # 7251  
Issued: June 1, 2001  
Monetary Effect: none

**Introduction**

This audit determined whether the Queens Botanical Garden (the Garden) is spending City funds in compliance with its own internal procedures, and with policies and regulations of the City of New York, including the Comptroller's Directives. The audit also evaluated the effectiveness of the Garden's internal controls over its financial and operational processes.

The Garden is one of 34 cultural institutions in the City of New York. The City pays for the maintenance and support of the Garden by providing appropriations through tax-levy monies from the City's annual budget. According to the City's *Fiscal Year 2001 Executive Budget*, the Garden received \$1,207,037 in appropriations in fiscal year 2000. These appropriations were primarily used to fund personnel expenditures. The Garden also receives funding from New York State, from private donations, and from corporate grants.

**Results**

The Garden is expending City funds in compliance with its own internal procedures and the policies and regulations of the City of New York, including the Comptroller's Directives. However, it has some internal control weaknesses in its financial operations, specifically:

- Payment Request forms for 14 (22%) of the 64 sampled disbursements lacked the required approval signatures.
- Three (5%) of the 64 sampled disbursements were not adequately supported.
- The Garden did not have a copy of its contracts with two vendors.

- Our review of the April 2000 timecards of the Garden's City-funded employees disclosed that 7 of the 30 timecards lacked a supervisor's signature.
- There was inadequate review of bank statements and bank reconciliations.
- There were weaknesses in the Administration of Petty Cash Funds.

The audit made nine recommendations to Garden officials, the most significant of which are listed below. The Garden should ensure that:

- Payment Request forms contain the required approval signatures before vendor payments are made.
- All disbursements are adequately supported.
- All timecards are properly reviewed and signed by a supervisor or manager.
- An individual other than the reconciler periodically reviews the bank reconciliation reports.
- A sales slip or other proof of vendor receipt evidences all petty cash disbursements.

Garden officials generally agreed with the audit's findings and have taken steps to implement our recommendations.

**Update**

The Garden reported that it has implemented all of the audit's recommendations.

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**KINGS COUNTY DISTRICT ATTORNEY'S OFFICE (OFFICE)**

Follow-up Audit of the Financial and Operating Practices of the  
Kings County District Attorney's Office

Audit # FP00-087F  
Comptroller's Audit Library # 7125  
Issued: August 17, 2000  
Monetary Effect: None

**Introduction**

This follow-up audit determined whether the Kings County District Attorney's Office (Office) implemented the 20 recommendations made in a previous audit report (FP97-080A; issued December 9, 1997), which evaluated the Office's compliance with applicable City payroll, purchasing, and timekeeping procedures.

Pursuant to Article 13, Section 13, of the State Constitution, District Attorneys are constitutional officers elected every four years. The City's five District Attorneys, under New York State County Law, Article 24, Section 927, protect the public by investigating and prosecuting criminal conduct in their respective counties. The District Attorneys enforce the provisions of the penal law and all other statutes. Their principal activities include screening new cases, preparing information and gathering resources for hearings, and presenting cases in court for trial and appeal.

The Kings County District Attorney's Office employed 418 Assistant District Attorneys (ADAs) and 664 non-ADAs, as of June 30, 1999. The Office's PS expenditures for fiscal year 1999 totaled \$49,789,993, and OTPS expenditures totaled \$11,388,472.

**Results**

The Office has implemented eight of the 20 earlier recommendations; two recommendations were partially implemented, and one recommendation was no longer applicable. The remaining nine were not implemented.

The eight recommendations that were fully implemented pertain to the following: (1) ceasing the practice of allowing non-Assistant District Attorney (non-ADA) staff to

take early departure before holidays without charging the time against their leave balances; (2) stopping the payment of administrative leave to non-ADAs; (3) requiring Assistant District Attorneys (ADAs) to record their daily arrival and departure times; (4) ensuring that employees sign for their paychecks; (5) documenting the authorizing sources and signatures for all pay increases; (6) stamping all purchase documents as "vouchered"; (7) stamping all Imprest Fund checks with the restrictive statement "void after 90 days"; and, (8) maintaining complete and fully-documented files for all contracts.

The two recommendations that were partially implemented pertain to: (1) providing written authorizations to employees who are requested to forego their vacations; and, (2) ensuring that individuals responsible for paycheck distribution sign the Payroll Management System (PMS) 319 Paycheck Distribution Control Report.

The nine recommendations that were not implemented pertain to the following: (1) limiting an employee's annual leave balance to twice that person's annual leave accrual rate; (2) informing employees in writing of the City guidelines regarding this two-year maximum annual leave restriction; (3) obtaining a formal written opinion from the Office of Labor Relations concerning whether the Kings County District Attorney's Office is bound by the Citywide time and leave regulations and agreements; (4) requiring employees to use compensatory time within 120 days from the time it is earned; (5) providing specific written notification to employees with compensatory time balances older than 120 days, stating that such time must be used within a reasonable period or will be converted to sick leave; (6) obtaining written authorizations for employees to carry over excess compensatory time (where workloads prevent these employees from using up this time); (7) not paying separated employees for excess annual or compensatory time balances earned more than 120 days prior to their date of separation; (8) transferring (into titles with higher maximum ranges), those employees who earn more than their current titles permit; and, (9) carefully preparing and reviewing vouchers in accordance with City purchasing rules.

In addition to following up on the earlier recommendations, we conducted various tests of the Personal Service (PS) and Other Than Personal Service (OTPS) expenditures of the Office. These tests found that the

Office did not maintain accurate and up-to-date inventory lists for computer-related equipment, and did not adhere to PPB Rules in making some of its purchases.

In its response, the Kings County District Attorney's Office maintains its position taken during the previous audit--that it is not subject to the City's *Time and Leave Regulations*. However, the Office's position is contrary to an opinion we received from the Department of Citywide Administrative Services. Nevertheless, the Office agreed to implement all of the report's recommendations except with regard to annual leave or compensatory time earned prior to January 1990.

**Update**

The Kings County District Attorney's Office did not provide follow-up information.

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**NEW YORK COUNTY DISTRICT ATTORNEY'S OFFICE (OFFICE)**

Follow-up Audit of the Financial and Operating Practices of the New York County District Attorney's Office, July 1, 1998, to June 30, 1999

Audit # FP00-086F  
Comptroller's Audit Library # 7131  
Issued: October 18, 2000  
Monetary Effect: None

**Introduction**

This follow-up audit determined whether the New York County District Attorney's Office (Office) implemented the 36 recommendations made in a previous audit report (FP97-175A; issued December 9, 1997), which evaluated the Office's compliance with applicable City payroll, purchasing, and timekeeping procedures.

Pursuant to Article 13, § 13, of the State Constitution, District Attorneys are constitutional officers elected every four years. The City's five District Attorneys, under New York State County Law, Article 24, § Attorneys are constitutional officers elected every four years. The City's five District Attorneys, under New York State County Law, Article 24, & 927, protect the public by investigating and prosecuting criminal conduct in their respective counties. The District Attorneys enforce the provisions of the penal law and all other statutes. Their principal activities include screening new cases, preparing information and gathering resources for hearings, and presenting cases in court for trial and appeal.

In fiscal year 1999, the Office spent \$60,978,938, on Personal Services (PS) and \$6,855,175 on Other Than Personal Services (OTPS). As of December 14, 1999, the Office employed 483 Assistant District Attorneys (ADAs) and 796 non-legal staff workers.

**Results**

The Office has implemented 17 of the 36 earlier recommendations; two recommendations were partially implemented. One recommendation was not applicable and 16 were not implemented.

The 17 recommendations that were fully implemented pertain to the following: (1) charging all non-ADA (Assistant District Attorney) employees for unexcused lateness in accordance with the DA's (District Attorney) policy and the City's Time and Leave Regulations; (2) deducting all recorded unexcused latenesses from leave balances of the 25 non-ADA employees who arrived late and were not charged; (3) ensuring that all employees who are required to clock in with timecards are doing so each day; (4) ensuring that all approval forms for time earned and used are maintained for future reference; (5) posting time used by ADA and managerial staff to PMS for the actual days the employees used their time; (6) implementing supervisory reviews over timekeeping functions to ensure the accuracy and proper recording of timekeeping transactions; (7) adjusting affected employees' leave balances in PMS to correct errors found during the prior audit; (8) ensuring that the appropriate recordkeeping procedures are implemented and that all files for separated employees are maintained; (9) documenting requests and approvals for all pay increases; (10) ensuring that purchase orders are not split to circumvent competitive sealed bidding requirements; (11) ensuring that all purchasing documents are stamped "vouchered" after completing the voucher's post-audit; (12) instructing staff to prepare and review vouchers in accordance with Comptroller's Directive #3; (13) ensuring that all Imprest Fund checks contain the restrictive statement "void after 90 days"; (14) ensuring that Imprest Fund checks do not exceed the \$250 limit set by Comptroller's Directive #3; (15) ensuring that supporting documentation exists before Imprest Fund checks are signed and disbursed; (16) issuing a payment voucher whenever a purchase exceeds \$250; (17) requiring non-ADA employees to provide medical documentation when they exceed the allowable number of undocumented sick leave instances.

The two recommendations that were partially implemented pertain to: (1) implementing checks and balances over timekeeping functions to reduce errors and to make sure that time records are complete; and (2) including non-capital assets on the Office's inventory list.

The 16 recommendations that were not implemented pertain to the following: (1) ceasing the practice of allowing employees to take early departure before holidays without charging such time against their leave balances; (2) requiring ADAs and managerial staff to submit time sheets

weekly; (3) limiting employees' annual leave balances to twice their annual leave accrual rates; (4) informing employees in writing of City guidelines regarding the two-year maximum annual leave restriction; (5) providing written authorizations to employees who are requested to forego their vacations; (6) requiring non-ADA employees to use compensatory time within 120 days from the time it was earned; (7) providing specific written notification to employees with compensatory time balances older than 120 days, stating that such time must be used within a reasonable period or will be converted to sick leave; (8) obtaining written authorizations for employees to carry over excess compensatory time (where workloads prevent these employees from using up this time); (9) ensuring that all non-ADA employees, separating from City service are paid in accordance with City guidelines; (10) ensuring that all ADAs separating from City service are paid in accordance with the Office's guidelines; (11) reviewing all separation payouts and attempting to recoup any overpayments found during the audit period; (12) requiring ADAs to record their daily arrival and departure times; (13) transferring into titles with higher maximum ranges those employees who earn more than their current titles permit; (14) requiring employees to sign the paycheck distribution PMS 319 Report; (15) ensuring that individuals responsible for paycheck distribution sign the PMS 319 Report indicating that they successfully distributed the paychecks to the listed employees; and, (16) ensuring that written authorization is obtained from employees who designate other individuals to pick up their paychecks.

Accordingly, we repeat the 2 recommendations that were only partially implemented and the 16 recommendations that were not implemented.

In addition to following up on the earlier recommendations, various tests of the Personal Service (PS) and Other Than Personal Service (OTPS) expenditures of the Office were conducted. These tests found that: (1) sampled employees were bona fide employees; (2) all Purchases were for eligible expenses and were for necessary Office operations; (3) proper approvals were obtained for all purchases; each voucher had its proper authorized signatures and amounts, and listed a specific payee, in accordance with Comptroller's Directive #24; (4) City requirements contracts were used, when appropriate; (5) Imprest Fund bank reconciliations were accurately performed; and, (6) there was adequate segregation of duties over its purchasing function.



Accordingly, this report does not contain any new recommendations.

In its response, the Office maintained its position, taken during the previous audit, related to its time and leave and severance policies. In that regard, the Office stated that it will continue to allow its non-legal staff to leave work early on days before major holidays without requiring them to charge their leave balances, that it will not require ADAs to record their arrival and departure times or submit weekly timesheets, that it will continue to allow non-ADA employees to accumulate excess annual leave and compensatory time, and, that it would continue certain policies that would, in our opinion, cause it to overpay non-ADA employees on their separation from employment. However, the Office agreed to implement 7 of the 18 recommendations contained in this report relating to: the completeness of time records, the payments made to ADAs on separation, paying employees' salaries over the maximum amounts for their titles, employees not signing for paychecks, unsigned paycheck distribution reports, and weaknesses in inventory controls.

**Update**

The Office reported that it is in the process of implementing the seven recommendations it agreed with, including the following:

- The Office is improving its timekeeping process, and requires a second review of data entries.
- The Office will amend its written policy to specifically address leave balances of deceased employees.
- The Office is in the process of reviewing the City titles into which its employees have been placed.
- The Office is tightening its paycheck distribution procedures, focusing on obtaining the required signatures.
- The Office continues to work towards developing a comprehensive office-wide inventory system.

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**BOARD OF EDUCATION (BOE)**

Follow-up Audit Report of the Internal Controls of the Board of Education's Data Center

Audit #7F01-113  
Comptroller's Audit Library # 7228  
Issued: May 8, 2001  
Monetary Effect: Not Applicable

**Introduction**

This follow-up audit evaluated (1) whether the New York City Board of Education (the Board) implemented the recommendations made in an earlier audit report entitled *Audit Report of the Internal Controls of the Board of Education's Data Center* (Audit No.7A95-172, issued June 15, 1995); and (2) whether the Board has proper security controls over its Internet connectivity.

**Results**

The previous audit made the five recommendations to the Board, of which three were partially implemented, one was not implemented, and one was not applicable. Regarding the partially implemented recommendations, the Board's disaster recovery plan has been improved substantially, and the Board installed the time-out feature on its Employee Information System, Automate the Schools system, Child Assistance Program system, and TBANK payroll information system. However, the Board did not implement the recommendation to fully test the disaster recovery plan and document the results.

To address the weaknesses that still exist, the report made six recommendations, in summary, that the Board:

- Establish and equip an alternate processing site to serve as a back-up site so that in the event of a Data Center disaster, the Board could resume mission-critical data processing operations.
- Complete, formally approve, and annually test its disaster recovery plan.
- Update the disaster recovery plan when the information it contains becomes obsolete.

- Implement time-out features for the Financial Accounting Management Information System, the Custodial Payroll System, and the Galaxy computer system.

To address Internet connectivity weaknesses, we made six recommendations, specifically, that the Board:

- Establish and implement procedures for using polling software to catalog and monitor individual workstation hardware and software.
- Conduct regular penetration testing of its computer networks and document the results; and based on the testing, update its Internet security.
- Establish and implement Internet security procedures for generating web-server statistics on all web-related activities, including all websites accessed by the Board's staff.
- Establish and implement Internet security procedures for scanning all web-related activity for unusual or suspicious activities.
- Establish and implement Internet security procedures for using filtering software to control access to undesirable websites by Board staff.
- Establish and implement procedures for monitoring all inbound and outbound traffic passing through the firewalls.

The Board generally agreed with the audit's findings and recommendations, but stated that it was unable to implement the recommendation to monitor inbound and outbound traffic through the firewalls, because it could not commit to the required funding.

**Update**

The Board did not provide follow-up information.

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**BOARD OF EDUCATION (BOE)**

Administrative Staffing of the Board of Education's Central Office July 1, 1998, to June 30, 1999

Audit # MD00-063A  
Comptroller's Audit Library # 7126  
Issued: August 28, 2000  
Monetary Effect: None

**Introduction**

The general objective of this audit was to determine whether the Board of Education's (the Board) criteria for classifying personnel as central administrative staff are appropriate and if its new Headcount Tracking System (HTS) accurately tracks and reports its central administrative staff headcount. This audit also determined if the Board was effectively using HTS as a management tool. To meet these objectives the audit determined whether all central administrative staff paid through the Board's central administrative payroll were included in HTS; and to what extent the Board was using HTS as a tool to track and monitor central administrative staffing levels.

The Board defines its "central administrative staff" (with certain exceptions) as individuals who work at or report to one of its Central Office buildings or locations. During 1999, the Board removed from the "central administrative staff" classification some personnel who directly supervise or support schools. These include administrative staff in the Chancellor's District and High School Superintendencies, as well as persons who deal directly with schools for Special Education Services. Although not included in the central administrative staff headcount, these individuals are paid through the Central Office payroll.

In 1989, the Board implemented the Headcount Management System (HMS) to maintain an accurate count of central administrative staff and to monitor and control the growth of central administrative staff. In February 1999, the Board replaced HMS with the Headcount Tracking System (HTS). According to Board officials, this system was better equipped to track and monitor Central Office staffing levels.

According to the figures reported by the Board in the Mayor's Management Report (MMR), central administrative headcount has declined over the last ten years—from 4,170 in fiscal year 1989 to 3,068 in fiscal year 1999.

At the exit conference, Board officials provided an adjusted central administrative headcount for fiscal years 1994 through 1999. These headcount figures were revised to exclude those personnel reclassified in 1999 as non-central administrative staff. While the Board's adjusted figures show that its overall central administrative staff decreased between fiscal year 1994 and 1999, from 3,713 to 3,068, there was an increase of 249 from the beginning of fiscal year 1998 to the end of fiscal year 1999, the two fiscal years reviewed in this audit.

As reported in the Chancellor's 1999-2000 Budget Request, the Board employed 131,221 persons as of February 1, 1999: 75,471 teachers and 55,750 non-teaching personnel (including 2,819 central administrative staff). (We used the Board's adjusted number, not the 3,068 headcount figure reported in the Mayor's Management Report.) The Board spent approximately \$139 million (2%) of the \$7.3 billion personnel expenditures in fiscal year 1999 on its central administrative staff.

## **Results**

The Board reported that its central administrative headcount declined by 12.6 percent—from 3,510 to 3,068—from the beginning of fiscal year 1998 through the end of fiscal year 1999, according to HTS. (HTS did not have reported headcount figures for the beginning of fiscal year 1998. Therefore, as agreed to by Board officials, we used HTS' reported figures as of October 1997.) As footnoted in the fiscal year 1999 MMR, this decline resulted from a reclassification by the Board of personnel working in the Chancellor's District, High School Superintendencies, and Special Education Services who directly supervise or support schools. These persons were classified as directly involved in instruction, and thus excluded from the central administrative headcount. However, the MMR, including the accompanying footnote, did not restate the headcount reported for fiscal year 1998; nor did it indicate the number of positions now excluded from the central administrative headcount by the reclassification. Therefore, we adjusted the fiscal year 1998 headcount for the excluded personnel,

and concluded that the central administrative staff actually increased by 249, (9 %).

The Board no longer tracks the headcount for the five districts now excluded from its central administrative headcount, in either HTS or the district-level Headcount Management System, but we found that for three districts of the five for which data was available, the headcount increased by 6 percent.

In addition, the Board does not always consistently classify certain types of administrative staff in terms of including or excluding them from HTS. Furthermore, HTS does not always reflect timely central administrative staff terminations. Based on our review, these problems may result in a small overstatement of HTS fiscal year-end headcount.

We found little evidence that the Board uses HTS to systematically track or monitor central administrative staffing levels or salaries. After the exit conference we received tables showing authorized and actual headcounts, but we did not receive any evidence that the HTS headcount figures were analyzed by Board officials to determine the cause of any unusual trends, such as increased staffing in certain departments.

If fully utilized, HTS could strengthen the control of the Board of Education over the growth of the central administrative staff headcount, and enable it readily to hold the Chancellor more accountable for controlling the size of the Central Office. Such HTS information would also facilitate an understanding and oversight of Central Office staffing by elected officials, parents and other interested parties.

The audit made seven recommendations to the Board, the most significant of which are listed below. The Board should:

- Put its definition of central administrative staff in writing. This definition, and any future modifications to it, should be approved by the Chancellor's Office.
- Track and report the administrative headcounts for the districts the Board excludes from HTS on a basis comparable to how the information was previously reported by HTS.

- Ensure that any new reports that include further changes in the Board’s definition of central administrative staff include a reconciliation to previous HTS reports to allow for an ongoing comparative analysis of administrative staffing levels of the Board’s Central Office Districts.
- Periodically review HTS to ensure that only those employees who meet its criteria for classification as central administrative staff are included in the central administrative staff headcount.
- Analyze the HTS reports to track, monitor, and report on its central administrative staffing and salary levels.

The Board agreed with four of the audit’s recommendations, and will implement them with modification. The Board did not agree with the remaining three audit recommendations. In its response, the Board stated:

- “The Board agrees with four of the seven recommendations and will implement them. We disagree with and will not implement recommendations two, four and seven. . . .
- “The Board continues to refine all its management systems in an effort to direct more dollars to schools and less to central.”

**Update**

The Board reported that it has fully implemented the four recommendations that it agreed with.

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**BOARD OF EDUCATION (BOE)**

Report on the Administrative Staffing at the Board of Education’s District/Superintendency Offices

Report # MD01-093A  
 Comptroller’s Audit Library # 7266  
 Issued: June 19, 2001  
 Monetary Effect: Not Applicable

**Introduction**

This report evaluated how the Board of Education's (Board) District/Superintendency Offices deploy their fiscal year 1999 resources between administrative and instructional services. It also compared administrative personnel costs of the 32 District/ Superintendency Offices.

As stated in the Board's Budget and Expenditure Reports, the total Board budget for fiscal year 1999 was \$10.53 billion. The total expenditure for fiscal year 1999 was \$10.45 billion. In fiscal year 1999, District/Superintendency Offices employed a total of 2,364 administrative staff.

**Results**

We reviewed the Board's staffing and personnel costs at its District/Superintendency Offices for such factors as:

- **Increases in District/Superintendency Office personnel costs.** The District/Superintendency Office personnel costs increased from fiscal year 1998 to fiscal year 1999 for all but one Community School District (CSD). The average personnel cost increase was 40 percent. In comparison, personnel costs showed an average increase of 8 percent from fiscal year 1999 to fiscal year 2000.

Board officials stated that the main reason for the increase in personnel costs at the District/Superintendency Offices from fiscal year 1998 to fiscal year 1999 was the decentralization of the Committee on Special Education and the placing of the Universal Pre-Kindergarten program under the control of the CSDs.

- **District/Superintendency Office personnel costs per student.** The average District/Superintendency Office personnel cost per student for the 32 CSDs in fiscal year 1999 was \$125. The per student costs ranged from a low of \$85 (CSD 10) to a high of \$271 (CSD 1).

Board officials informed us that in general, lower student enrollment figures or high salaries of senior district staff could translate into higher personnel costs per student



- Comparison of District/Superintendency Office budget to actual personnel costs.

Eleven District/Superintendency Offices exceeded their personnel cost allocation within their CSDs' total fiscal year 1999 budgets by a range of .07 percent (CSD 11) to 9.5 percent (CSD 3).

Board officials stated that actual costs reported by CSDs are higher than reported budgeted costs because figures used for *Budget Reports* represent costs at a certain point in time. Moreover, the *Budget Reports* are based on average salary costs, not actual salary costs, and do not take into account staff overtime expenses.

- District/Superintendency Office personnel costs as a percentage of total CSD personnel costs.

The average District/Superintendency Office personnel costs as a percentage of total CSD personnel costs for fiscal year 1999 was 1.9 percent. The individual CSD percentages ranged from a low of 1.2 percent (CSD 10) to a high of 3.1 percent (CSD 1).

To determine whether there was a relationship between the above CSD costs and student academic performance, we reviewed Citywide reading and math assessment test scores for the school years 1998 and 1999. We found no relationship between CSD costs and their test performance.

According to Board officials, the reasons certain districts have a higher percentage of District/Superintendency Office personnel costs to total CSD personnel costs are overcrowded schools, seniority of staff in a District/ Superintendency Offices, and CSD budget practices.

We requested the organization charts for each of the 32 CSDs to better understand how their administrative employees were deployed. After repeated requests, we received organizational charts from only 22 CSDs. The Board's CSDs are given a great deal of autonomy in their operations. The creation and maintenance of organization charts by all its CSDs would be a good oversight tool for the Board's Central Office, elected officials, parents, and other interested parties.

This report made one recommendation, namely that the Board should:

- Ensure that all 32 CSDs develop and maintain organization charts and that the charts include employee names and titles.

The Board agreed with the report's conclusions and recommendation.

**Update**

The Board did not provide follow-up information.

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**BOARD OF EDUCATION (BOE)**

Second Follow-up Audit of the Board of Education's Administration of the Special Education Program

Audit #MD01-103F  
Comptroller's Audit Library # 7213  
Issued: April 25, 2001  
Monetary Effect: None

**Introduction**

This follow-up audit determined whether the Board of Education (the Board) implemented the six recommendations made in a prior audit, *Follow-up Audit on the Board of Education's Administration of the Special Education Program* (Audit No. MG96-121F, issued June 20, 1996). The prior follow-up audit found that although the Board listed performance indicators in various internal and public documents, those indicators were not collated in a system-wide, comprehensive report. Such a report would allow the Board to monitor the performance of its special education program and would include both performance and cost data to measure success and to strengthen accountability.

During fiscal year 1999, there were 85,988 students classified as having a disability. For fiscal year 1999, the Board budgeted special education funds of approximately \$2 billion—\$24,313 per student in city, state, and federal funds.

**Results**

The Board implemented three of the six recommendations made in the June 20, 1996, follow-up audit report. These recommendations concerned the inclusion of more special education indicators in its annual school reports and in the Mayor's Management Report, and conducting extensive staff training when new student performance reports are released. The Board partially implemented two recommendations that dealt with: 1) developing a system-wide, comprehensive performance report to evaluate overall student progress in special education; and in the interim, 2) ensuring that its aggregate annual reports on student performance and its individual school and district annual reports include special education indicators, separated from general education indicators. One recommendation, that the Board include more special education indicators from the District 75 annual school reports in the annual school reports for elementary, intermediate, and high schools, is no longer applicable.

In summary, our office has performed a total of three audits to date, including two follow-up audits, on the Board's special education program. In the first two audits, a total of 11 recommendations were made, of which three overlapped. All of the recommendations, except for two—which are interrelated—have been implemented or are no longer applicable. The two remaining recommendations have been combined into this report's one recommendation listed below:

- The Board should develop a systemwide, comprehensive performance report to evaluate overall student progress in its Special Education Program; this report should include performance and cost data that the Board is already reporting on at the district level.

In its response the Board disagreed with our recommendation stating:

"We disagree with and will not implement the recommendation because we believe that disseminating a separate systemwide, comprehensive performance report is contrary to the special education reform efforts undertaken by the Board and the State Education Department. Furthermore elements in the Annual School Report enable parents to compare the performance of special education

students. Therefore, a separate report is redundant."

Update: Not Applicable

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**BOARD OF EDUCATION (BOE)**

Audit on the New York City Board of Education's Compliance with Fire and Safety Regulations in Elementary Schools

Audit # MH00-184A  
Comptroller's Audit Library # 7262  
Issued: June 14, 2001  
Monetary Effect: Not Applicable

**Introduction**

This audit assessed the Board of Education's (BOE) compliance with fire and safety regulations at elementary schools. The auditors performed field inspections of 31 randomly selected elementary schools in the five boroughs. Initially 15 schools were tested for 32 specific fire and safety areas. Based on the results of the initial 15 schools, the auditors identified five key fire and safety areas that were determined to be most critical and that created the most potential for violations. The auditors tested only for these areas in the remaining 16 elementary schools in the sample. These five high-risk areas included: (1) locked or stuck exterior exit doors; (2) swinging hallway and stairwell doors not opening or closing properly; (3) unlocked access gates and doors leading to roof; (4) obstructions to doors; and (5) inoperable or defective fire alarm systems. Based on a request from members of the Board's Audit Advisory Committee, we performed comprehensive inspections for the 32 fire and safety areas at three high schools with the largest student populations in New York City—Brooklyn Tech High School, De Witt Clinton High School in the Bronx, and Newton High School in Queens.

## Results

Twenty of the 31 elementary schools were non-compliant in at least one of the five key fire and safety areas tested. The results of the inspections were as follows:

- while the schools were session, twelve had from 1 to 9 exit doors each that were either locked or extremely difficult to open, thereby limiting escape routes of students and staff
- 18 schools had from 1 to 19 swinging hallway and stairwell doors each that either did not close completely, open properly, or had problems opening and closing.
- 3 schools had access gates and doors leading to the roof that were left open.
- 5 schools had obstructions, such as ladders, desks, chairs, recycling bins, etc., blocking doors.
- 2 schools had inoperable fire alarm systems, and 1 school had a defective system that activated by itself.

While the number of incidents of non-compliance in these areas may be low, the potential risk to the lives of students and staff cannot be ignored and is high even if there is only one instance.

In addition to the five high-risk fire and safety areas, other problems were found throughout the schools and included non-compliance with: regulations for record keeping of inspections of fire alarm systems, sprinkler systems, smoke detectors and of the number of required drills; and regulations for functioning lighted exit signs and other items important to safety in a school building.

At each of the three high schools, problems were found with swinging hallway or stairwell doors not opening or closing properly. At one high school, one of the doors leading to the roof was left open.

The audit made 13 recommendations to BOE, among them that BOE should organize and carry out a system-wide inspection of all school buildings to identify fire and safety problems and correct the problems immediately.

In its response, BOE agreed to take steps immediately to implement all the audit recommendations. In addition, BOE

conducted inspections of 690 elementary schools and, based on its findings, scheduled the necessary repairs. BOE also reissued guidelines and memoranda to custodians, principals, and plant managers regarding fire and safety responsibilities. BOE immediately corrected the deficiencies found and reported by the auditors for the specific schools cited in the report.

**Update**

The Board advised that "in response to the final report, DSF agreed to implement four recommendations (one, four, five and twelve). DFS has implemented recommendations one, four and five, and recommendation twelve will be implemented in March 2002."

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**BOARD OF EDUCATION (BOE)**

Follow-up Audit of the Board of Education's Internal Controls Over Student MetroCards.

Audit # MJ01-127F  
Comptroller's Audit Library # 7254  
Issued: June 11, 2001  
Monetary Effect: None

**Introduction**

This follow-up audit determined whether the Board of Education (the Board) has implemented three recommendations made in a previous audit entitled *Audit of the New York City Board of Education's Internal Controls Over Student MetroCards (MJ98-126A*, issued June 30, 1998). That audit evaluated the Board's internal controls over the distribution and security of Student MetroCards to ensure that students' transportation needs were adequately met. The previous audit found that the Office of Pupil Transportation (OPT) had good controls over the receipt and distribution of, and accountability for, the Student MetroCards. However, once Student MetroCards were forwarded to the schools, the Board could not rely on the schools' recordkeeping to account accurately for the distribution of the MetroCards to students.

**Results**

Of the three recommendations we made in the previous audit, the Board implemented the recommendation that it provide additional training for transportation coordinators to ensure that all are properly instructed in the use of the Automate The Schools (ATS) system. The Board partially implemented the recommendations that: schools maintain accurate records regarding the distribution and storage of the MetroCards so that OPT can adequately determine the needs of the schools prior to being notified by New York City Transit (Transit) of the schools' replacement needs; and all schools review and follow the Board's distribution and security procedures for Student MetroCards and immediately notify Transit when reporting lost, stolen or damaged MetroCards.

In this follow-up audit, it was determined that the Board's internal controls over Student MetroCards had improved. Of the 37,056 Student MetroCards received by the 12 schools in our sample that we re-examined during this follow-up audit, the total gross discrepancy between OPT's records and the records maintained by the schools was only 920 cards (2%). This represents a significant improvement over the 19 percent gross discrepancy rate in the previous audit. The four schools that we had identified as having serious control deficiencies during the previous audit have significantly improved their controls. They had accurate records—both manual and computerized—regarding the disposition of the Student MetroCards and they could account for all of the cards that they received from OPT.

However, we noted some weaknesses. Transportation coordinators at eight schools that we did not visit during the previous audit reported inaccurate distribution information on the ATS system. Two of the eight schools had incomplete manual records regarding card distribution and did not ensure that all students signed the logs when they received a MetroCard. Furthermore, coordinators at only six of the eight schools kept the undistributed MetroCards in a locked safe as required in the OPT manual. Finally, the transportation coordinators at these eight schools did not always update the ATS system in a timely manner (within 24 hours) to record card deactivations.

To address the conditions found in this audit, we recommended that the Board:

- Reiterate its policy that schools maintain accurate information on the ATS system regarding the disposition of Student MetroCards. To assist in this area, the Board should require that schools not enter information in the ATS system regarding a student's MetroCard assignment until that student has actually received a MetroCard.
- Reinforce the requirement that schools ensure that students sign distribution logs upon receiving MetroCards, as stated in the OPT instruction manual.
- Ensure that all schools review the *Office of Pupil Transportation Instructional Manual* and follow the procedures regarding security of the Student MetroCards.

The Board agreed with the results of this follow-up audit and is implementing its recommendations.

**Update**

The Board did not provide follow-up information.

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**DEPARTMENT OF EMPLOYMENT (DOE)**

Follow-up Audit Report of the Department of Employment's Automated Information System

Audit # 7F01-156  
Comptroller's Audit Library # 7233  
Issued: May 21, 2001  
Monetary Effect: Not Applicable

**Introduction**

This follow-up audit objectives were to determine whether the Department of Employment (DOE) implemented the recommendations made in an earlier audit entitled *Audit Report of the Department of Employment's Development and Implementation of the Automated Information System* (Audit No. 7A97-155, issued June 30, 1997). The earlier audit evaluated whether DOE had appropriate system development project management controls in place when implementing the Automated Information System (AIS). The current audit discusses the recommendations we made earlier as well as the implementation status of those recommendations.

The previous audit concluded that poor project planning, incomplete system design, lack of quality assurance, and lack of proper testing of the Automated Case Management System (ACMS) caused the AIS project to be late, over-budget, and not fully compliant with contractor and agency needs.

**Results**

This audit found that of the 18 recommendations to DOE in the previous audit 17 have been implemented, and 1 is no longer applicable. In addition, the audit found that DOE needs to improve its network monitoring and that it does not include audit department personnel in ACMS user group meetings. To address these two new issues, the audit now recommends that DOE:

- Activate the existing AUDITCON utility to improve DOE's ability to monitor network settings and files. Since AUDITCON uses significant network space and could slow system response time, DOE could alternatively purchase third party software to achieve the same purpose.
- Have an internal audit representative attend all ACMS user group meetings.

DOE officials indicated that they agreed with the audit's two recommendations.

**Update**

DOE reported that it has implemented both of the audit's recommendations.

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**THE DEPARTMENT OF EMPLOYMENT (DOE)**

Audit Report on the Department of Employment's Small Procurement and Vouchering Practices

Audit # ME00-168A

Comptroller's Audit Library # 7144

Issued: December 22, 2000

Monetary Effect: None

**Introduction**

This audit determined whether the Department of Employment (DOE) complied with Charter provisions, Procurement Policy Board Rules (PPB), and Comptroller's Directives related to small procurements. The scope of this audit covered the period July 1, 1998 to June 30, 1999.

DOE seeks to advance the City's human services and economic development goals by providing employment services to economically disadvantaged, unemployed, and underemployed adults and youths. DOE works in partnership with the Private Industry Council, businesses, educational institutions, labor unions, and community-based organizations to accomplish these goals. DOE also works closely with the Human Resources Administration to provide employment-related services to public assistance recipients.

In fiscal year 1999, DOE's Other Than Personal Service (OTPS) expenditures amounted to \$131,115,872. Of this amount, \$1,507,104 was spent on "small procurements," consisting of 219 purchase orders totaling \$1,088,254 and 221 miscellaneous vouchers totaling \$418,850. Rules governing an agency's handling of its procurements are found in the New York City Charter (the Charter), the City's Procurement Policy Board (PPB) Rules, and Comptroller's Directives #6, #24, and #25.

**Results**

DOE complied with various PPB Rules and Comptroller's Directives when processing its small procurements and miscellaneous vouchers. However, there were weaknesses in DOE's administration of its small procurements. There were a number of areas in which DOE did not comply with certain rules related to small procurements:

- DOE inappropriately split purchases totaling \$139,563 from four vendors, circumventing competitive sealed bid requirements;
- DOE did not always use the correct object codes;
- all necessary signatures were not always on purchase orders or miscellaneous vouchers;
- DOE did not always solicit five required suppliers when obtaining bids; and
- DOE did not always use available requirement contracts when purchasing items.

The audit resulted in five recommendations to DOE, that it should:

- Better estimate its procurement needs and stop artificially dividing procurements to keep the value of contracts under small purchase thresholds.
- Ensure that its staff is using the correct object codes when recording purchase orders and miscellaneous vouchers.
- Ensure that all vouchers contain all necessary signatures.
- Ensure that the required five vendors are solicited for bids when purchases are \$2,500 or more.
- Use the City's requirement contracts whenever goods and services are available.

DOE agreed with the report's recommendations.

**Update**

DOE did not provide follow-up information.

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**DEPARTMENT OF ENVIRONMENTAL PROTECTION (DEP)**

Audit Report on the Construction of City Water Tunnel No. 3,  
Stages 1 and 2, and the Planning for Stages 3 and 4

Audit # EW99-115A

Comptroller's Audit Library # 7180

Issued: February 9, 2001

Monetary Effect: Not Measurable

**Introduction**

The audit assessed the reasonableness of City Tunnel No. 3 stage 1 and 2's construction schedules and costs and determined whether DEP evaluated the necessity to construct stages 3 and 4. In order to inspect and rehabilitate two older existing water tunnels (Nos. 1 and 2), and to provide for increased water demand to the City, a new water tunnel, No. 3, was conceived by the City in the 1950's. The Tunnel consists of four stages and was originally scheduled for completion in 1985 at an estimated cost of \$718 million (\$4.26 billion when escalated to 1999). Capital construction expenditures for stages 1 and 2 have already totaled more than \$1.36 billion, although stage 2 is not scheduled for completion until at least 2006. Stages 3 and 4 have not yet been started, and are estimated to cost \$3.3 billion.

**Results**

To assess the reasonableness of stage 1's construction schedule and cost, we used the actual construction costs and schedules of water tunnel Nos. 1 and 2 as benchmarks. The audit found that stage 1 could have been constructed within the 5-to-7 year period that was originally envisioned by the Board of Water Supply (DEP's predecessor). However, the Board and DEP actually took 23 years to complete stage 1. Nevertheless, stage 1 costs were consistent with historical tunneling costs to construct tunnel Nos. 1 and 2. But, the prolonged duration to construct stage 1 did require DEP to undertake approximately \$28 million (\$41 million when escalated to 1999) for duplicative tasks, remedial work, and maintenance.

To assess the reasonableness of stage 2's construction schedule and cost, we used a comparable deep rock water tunnel, MetroWest, being constructed in Massachusetts. The audit found that stage 2 could have taken approximately five

years to complete, although DEP has been working on this stage for 13 years, with less than 50 percent of the work completed. Stage 2 adjusted excavation rates are below the rate being achieved at MetroWest. However, stage 2 costs are generally consistent with those of MetroWest.

The audit determined that DEP has not re-examined the necessity for constructing stages 3 and 4, although some of the original reasons for their construction (e.g., allowing additional volume of water to enter the City's distribution system, provide a redundant water supply, meet the needs of expanding eastern parts of the Bronx and Queens) may no longer be relevant. However, in the more than 30 years since these justifications were cited, daily water consumption rates have been decreasing and are lower than originally projected.

In order to correct the problems identified during the audit, we recommended that DEP:

- Consider awarding larger construction contracts whose scopes of work are more commensurate with the total project scope.
- Analyze conveyor belt and tunnel-boring machine designs.
- Establish formal procedures that require DEP construction management personnel to conduct periodic progress meetings with contractors and DEP's senior level personnel.
- Require that minutes be taken and action items documented at progress meetings.
- Revise its monthly status report to include items such as executive summary, and critical path management chart.
- Consider providing geotechnical design summary reports to prospective bidders for future tunnels.
- Ensure that environmental reviews (i.e., ULURP and CEQR) for all Manhattan shaft locations proceed in a timely manner.
- Develop and adhere to a new detailed written schedule for completing stage 2 as expeditiously as possible.
- Examine its acceleration program for opening the Queens segment of stage 2.
- Reevaluate the necessity for constructing stages 3 and 4.
- Employ a consultant or create an intra-agency task force consisting of various DEP bureaus to develop a long-term

construction and rehabilitation plan for the City's water supply system.

In their response to the audit, DEP officials stated that "In summary, the report contains several constructive suggestions." However, DEP believed that some of our assumptions and analyses were "seriously flawed." DEP stated that it "agrees that the planning for Stages 3 and 4 must be thoroughly reviewed prior to any action."

Of our 11 recommendations, DEP agreed with 5, but did not respond to the other 6. Although DEP agreed that planning for stages 3 and 4 must be reviewed, it has no plans for their funding in either the City's 4-year and 10-year capital plans.

### Update

DEP reported that it is implementing the audit's recommendations, including the following:

- DEP is investigating the possibility of constructing City Tunnel No.3 Stage 3, simultaneously with Stage 2.
- DEP has determined that the means and methods of construction chosen by the contractor were the reasons for the unsatisfactory rates of progress in the Queens Tunnel. DEP has also determined that the program rates for the Brooklyn Tunnel were satisfactory. DEP agrees that the City should investigate making changes in the contract language for underground construction that would not put the City at risk.
- DEP's Division of Waterworks Construction holds periodic meetings with contractors on current water tunnel contracts.
- DEP provided prospective contractors for the Manhattan Tunnel with in-depth geological and geo-technical data obtained during the construction of Tunnel No.1.
- DEP now has a written plan to complete Stage 2 by June 30, 2010.

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**DEPARTMENT OF ENVIRONMENTAL PROTECTION (DEP)**

The New York City Department of Environmental Protection's Land Acquisition and Stewardship Program

Audit # MG00-169A

Comptroller's Audit Library # 7299

Issued: June 29, 2001

Monetary Effect: None

**Introduction**

The New York City Department of Environmental Protection (DEP) protects, manages, and maintains the City's water supply and distribution system for 9 million City and upstate residents. DEP must meet federal and state mandates for clean water. Consequently, it has developed a Watershed Protection Program to ensure the integrity of the City's water supply. By strengthening this program, the City has been granted conditional permission from the U.S. Environmental Protection Agency (EPA) to avoid constructing a \$6 to \$8 billion filtration plant for its Catskill and Delaware water supply systems.

The Land Acquisition and Stewardship Program (LASP) is a key component of the Watershed Protection Program. LASP protects water quality through the acquisition and long-term stewardship of watershed lands located near reservoirs and sources of water. Through the LASP program, the City is committed to soliciting land sales from the owners of 350,051 acres of watershed land within a 10-year period that commenced on January 21, 1997. EPA's Filtration Avoidance Determination does not require the City to purchase any specific amount of land.

The objective of this audit was to determine LASP's efficiency and effectiveness in soliciting sale offers from upstate landowners, in buying these owners' land, and in monitoring the use of purchased land.

**Results**

The audit concluded that LASP has helped to advance the Watershed Protection Program through important solicitation and land purchase achievements. As of January 21, 2000, the City had solicited the sale of more than 168,000 acres of land. As of December 31, 2000, the City had acquired about

13,600 acres of Catskill/Delaware watershed land for about \$44 million and had entered into contracts to buy about 12,900 additional acres for about \$29 million. However, the audit also identified areas of concern.

Regarding sale solicitation, while there was evidence that DEP made adequate initial contacts with landowners, there was no evidence that DEP had appropriately followed up on some initial contacts. In other instances, after an owner expressed interest during the solicitation process, there was no evidence that DEP made adequate follow-up efforts to acquire the land.

Regarding the purchase of land, while the EPA has stated that the City has made progress acquiring land in a number of basins, it strongly recommended that the City intensify its acquisition efforts around the Kensico Reservoir. Nearly all of the water from the Catskill/Delaware system flows into the Kensico Reservoir before it enters the City's distribution system. The audit urged DEP to make a special effort in the Kensico basin to reduce the time between the signing of the land purchase contract and the purchase closing. City purchases take, on average, about 16 months to progress from contract signing to closing, whereas private purchases are often concluded within 3 or 4 months. Kensico landowners might prefer selling their land to private buyers because of the additional time necessary to complete a City purchase.

Regarding DEP's monitoring of the use of purchased land, the audit noted that LASP's assignment of this responsibility to four temporary land stewards might not have been sufficient.

The audit made seven recommendations, among them that DEP should: improve its solicitation and acquisition follow-up efforts; regularly update and track the status of all parcels; continue its efforts to reduce the time period between contract signing and purchase closing; and re-evaluate the resources it commits to the stewardship program.

In its written response to the audit's recommendations, DEP stated that it "will work toward implementing the improvements recommended in the Report."



Update

DEP reported that it is implementing six of the seven recommendations, including the following:

- DEP reminded its staff in December 2001 of the solicitation policy and requested staff to make sure all information and documentation pertaining to follow-ups are recorded.
- DEP will continue to follow-up promptly when owners express an interest in selling land.
- DEP stated that the standard 18-month contract has been shortened to 12 months in Kensico. However, the actual term of purchase contracts, from signing to closing, is dependent upon the number of staff available. LASP is currently working to close on the three existing purchase contracts in the Kensico basin as soon as possible.
- DEP has taken steps to ensure that its pre-contract files are well organized.

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**DEPARTMENT OF FINANCE (DOF)**

Audit Report on New York City Department of Finance Cash Controls of the Manhattan, Queens, and Bronx City Registers

Audit # MH00-163A  
Comptroller's Audit Library # 7132  
Issued: October 20, 2000  
Monetary Effect: None

**Introduction**

DOF's office of the City Register is responsible for maintaining and recording real property documents such as deeds, mortgages, leases, satisfaction of mortgages, and personal property documents such as Uniform Commercial Code (UCC) Financing Statements and notices of Federal Tax Liens. The City Register is also responsible for collecting fees and taxes associated with the recording and filing of these documents. DOF maintains Offices of the City Register in Manhattan, Brooklyn, Queens, and the Bronx. This audit focused on the cash controls at the Manhattan, Queens, and Bronx City Registers. In fiscal year 2000, the City Register collected \$1.2 billion in fees and taxes. The objective of this audit was to determine whether the Manhattan, Queens, and Bronx City Registers were in compliance with Comptroller's Directive #11. Specifically, we sought to determine whether fees and taxes were being deposited in a timely fashion, and to evaluate the internal controls over the collecting and depositing of fees.

This audit is the second of two that were initiated by the New York City Comptroller's Office, and was conducted jointly by staff members from the New York City Department of Finance (DOF) and the New York City Comptroller's Office. To preserve the audit's independence, auditors from DOF, working as a team with auditors from the Comptroller's Office, conducted their assignments under the supervision of the Comptroller's Office. DOF auditors briefed their supervisors on the findings as they were developed during the audit fieldwork.

**Results**

There was no large backlog of unprocessed applications and undeposited checks, such as was found at the Brooklyn City Register's office in the first of these audits, but the

audit identified various internal control weaknesses at the Manhattan, Queens, and Bronx City Register Offices. These weaknesses included inadequate controls over checks returned for insufficient funds, monies collected for recording documents that cannot be reconciled to the documents recorded, errors in payments of fees and taxes collected, and failure to report the status of returned checks to the Comptroller's Office.

Since this was a joint audit, the auditors discussed their findings and recommendations with DOF during the course of the audit so that DOF could plan or take immediate action to correct any problems identified. This is in fact what happened. Of the 19 recommendations made, DOF implemented 17, partially implemented one, and stated that it will act upon the remaining one. Listed below are the most important recommendations of 17 that were implemented during the course of this audit—that the City Register should:

- Deposit cash found in the folders at the Bronx Office, return the 16 checks to the payees, and process all backlogged requests for block and lot changes.
- Instruct the cashiers at the Manhattan and Bronx Offices to follow established procedures for handling overpayments.
- Require the Auditor at the Manhattan Office to receive the returned checks from the bank and maintain a Returned Check Log.
- Amend *The Auditor's Functions* to require that the Auditor review each cash register tape daily before preparing the bank deposit.
- Reprogram the cash registers at the Queens and Bronx Offices so that voids are properly classified.
- Instruct non-cashier employees at the Bronx Office not to accept money directly from the public.
- Retrain cashiers at the Queens Office to process overpayments properly.
- Establish a policy at the Queens and Bronx Offices whereby validated daily deposit tickets are returned to each City Register office.
- Secure the Manhattan Office checkbook in a locked safe or cabinet.

- Immediately inform the Comptroller's Revenue Monitoring Unit of the identity of all City Register returned-check officers, and submit the "Report of Monthly Activity for Returned Checks" to the Unit every month.

The following recommendation was partially implemented by DOF:

- Establish a contingency plan at the Queens Office for when a VendaCard machine breaks down and cannot be repaired quickly.

In addition, DOF stated it would implement the recommendation to:

- Assign only one serial number to each transaction, making it possible to trace the cash receipt to the index files and to the microfilmed document.

**Update**

DOF reported that it has received budget approval for four new VendaCard machines. Bidding for the vendor contract should be completed in February 2002. DOF also plans to upgrade the City Register function using the ACRIS system. The ACRIS system assigns only one serial number to each transaction. DOF expects that the ACRIS system should be running in late 2002.

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**DEPARTMENT OF FINANCE (DOF)**

Follow-up Audit of the New York City Sheriff's Internal Controls Over Seized Vehicles

Audit # MH00-186F  
Comptroller's Audit Library # 7152  
Issued: January 9, 2001  
Monetary Effect: None

**Introduction**

The Sheriff's Office has been under the auspices of the Department of Finance (DOF) since July 27, 1995. One of the functions of the Department of Finance is to provide court-ordered collections against private-sector debtors. The

Sheriff's Office Scofftow Program is one of the programs DOF utilizes to perform this function. In fiscal year 2000, the Sheriff's Scofftow Program seized 51,768 vehicles and collected \$27,762,690.

This follow-up audit was conducted to determine whether the New York City Sheriff's Office implemented the seven recommendations made in the previous report entitled *Audit of the New York City Sheriff's Internal Controls Over Seized Vehicles* (Audit #MH95-083A, issued May 3, 1995). In this report, we discuss the prior report's recommendations as well as the implementation status of each recommendation.

**Results**

During this follow-up audit, we found that the Sheriff's Office implemented two recommendations and partially implemented five recommendations. Although there were improvements, the Sheriff's Office did not distribute and use the Paid-In-Field (PIF) Forms in numerical order; did not tow all vehicles that are eligible to be towed or provide a written explanation of why the vehicles were not towed, and, they did not generate a report from their Gateway system that could be matched against every entry made by deputies in their mobile digital terminals. In addition, all complaints received by the tow companies were not forwarded to the Sheriff's Office Complaint Department and the Sheriff's Office was inconsistent in assessing liquidated damages against tow companies who submitted unacceptable tapes.

To address the findings that were partially implemented, we have either repeated or modified the prior report's recommendations including that the Sheriff's Office distribute and use the PIF receipts in numerical order; tow all vehicles that are eligible to be towed and for any vehicles not towed; require deputy sheriffs to provide a written explanation of why the vehicle was not towed; ensure that its MIS Unit forward to the supervising deputies a list of all vehicles not towed; generate a report utilizing the Gateway system so that it reports on every entry made in the mobile digital terminals that has a judgment amount of more than \$230; make the tow companies aware of the provision in the contract which states that copies of all complaints received by the tow companies must be forwarded to the Sheriff's Office Complaint Department; and establish written criteria defining explicitly when and how liquidated damages

will be assessed when a tow company submits more than a specific number or percentage of unacceptable videotapes.

In its response, DOF agreed with five of the audit's six recommendations. With regard to our recommendation that DOF should establish written criteria defining explicitly when and how liquidated damages will be assessed, DOF agreed to explore "the feasibility of establishing such written criteria."

**Update**

DOF reported that it has fully implemented four of the five recommendations it agreed with and is in the process of implementing one. DOF has asked a vendor to modify the Gateway system so that it can generate reports on every judgment of \$230 or more entered in the mobile digital terminals.

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**FIRE DEPARTMENT (FDNY)**

Second Follow-up Audit Report on the New York City Fire Department's Bureau of Information and Computer Services Data Center

Audit No. 7F01-070  
Comptroller's Audit Library # 7194  
Issued: March 30, 2001  
Monetary Effect: None

**Introduction**

This second follow-up audit was conducted to evaluate the New York City Fire Department's (FDNY) progress in the implementation of the eight recommendations made in the previous follow-up audit, entitled *Follow-Up Audit Report on the New York City Fire Department's Bureau of Information and Computer Services Data Center* (Audit # 7F97-063, issued March 31, 1997).

The Bureau of Information and Computer Services (BICS) main data center is the primary processing site for STARFIRE, EMSCAD, and UNISYS. STARFIRE and EMSCAD are FDNY's mission critical applications. They are the computer-aided dispatching systems that support FDNY's ability to respond to fires and other high priority life threatening emergencies. The UNISYS system performs FDNY's administrative processes.

**Results**

Of the eight recommendations in the prior report seven were implemented, and one was no longer applicable.

The seven recommendations that were implemented pertain to the following: (1) segregating the STARFIRE program and system functions; (2) requiring STARFIRE to comply with the same security standards FDNY established for UNISYS relating to the number of sign-on attempts allowed and the time-out feature; (3) strengthening the physical security of the data center; (4) establishing formal change control procedures for STARFIRE that emphasize the separation of the programming and operational functions; (5) assuring the technical adequacy of all program changes; (6) documenting the tape coding system in order to identify all data being stored; and (7) segregating the system and programming functions of the STARFIRE system.

This audit also addressed these new issues that were not related to the prior follow-up audit: (1) FDNY does not have an alternate processing site for its STARFIRE system; (2) FDNY does not have access to the version control system for its STARFIRE system; (3) FDNY did not have adequate controls over its computer inventory (e.g.: not all equipment was tagged and recorded); and (4) FDNY's *Internet Security Architecture Plan* did not include penetration testing.

Accordingly, the audit recommended that FDNY management: (1) secure an alternate back-up site for its automated data processing operation; (2) obtain access to the version control system for STARFIRE; (3) ensure that all computer equipment is tagged and recorded in accordance with Department Of Investigation (DOI) standards; and (4) include an addendum to the *Internet Security Architecture Plan* that requires penetration testing to be done on a regular basis.

In its response, FDNY generally agreed with the audit's recommendations.

**Update**

FDNY reported that it has fully implemented recommendation No.2 and partially implemented recommendations Nos. 1,3 and 4, as follows:

- OMB has approved the budget request for the off-site backup of the STARFIRE system, and work has begun on configuring the STARFIRE computer.
- FDNY currently has a secure version control system for STARFIRE.
- FDNY is in the process of strengthening its internal controls over inventory in accordance with DOI standards.
- In February 2001, FDNY completed an addendum to the Internet Security Architecture Plan that requires penetration testing to be performed on a regular basis. This addendum was given to both DOI and DoITT.

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**FIRE DEPARTMENT (FDNY)**

Follow-up Audit on the New York City Fire Department Small Procurement and Vouchering Practices

Audit # FR00-192F  
Comptroller's Audit Library # 7166  
Issued: February 20, 2001  
Monetary Effect: None

**Introduction**

This follow-up audit determined whether the New York City Fire Department implemented the seven recommendations made in a previous audit report, *Audit Report on the New York City Fire Department Small Procurement and Vouchering Practices* (Audit No. FR98-147A issued June 22, 1998). The previous report evaluated the Department's compliance with Procurement Policy Board (PPB) Rules; Comptroller's Directives, and other City guidelines pertaining to its small procurement and vouchering practices. This report discusses each of the previous report's recommendations in detail, as well as the current implementation status of each recommendation.

The previous audit noted that the Department generally complied with PPB rules and Comptroller's Directives when processing purchase orders and agency encumbrances. However, many instances were identified in which the Department's small procurement operation did not comply with the provisions of the City Charter, PPB rules, and Comptroller's Directives related to small purchases. Specifically, the Department: split purchases thereby circumventing the full competitive bidding requirements of the PPB rules; did not always ensure that its purchase files contained required bid documentation; inappropriately used miscellaneous vouchers in six instances; and did not require its employees to document travel expenses in accordance with Comptroller's Directive # 6.

This follow-up audit concluded that two of the seven recommendations contained in the previous report were implemented, one was partially implemented, two were no longer applicable, and two were not implemented. The two recommendations that were implemented dealt with the Department ensuring that its contract files contain required documentation and that it modify its travel expense form. The partially implemented recommendation concerned ensuring that

correct object codes were charged for purchases. The two recommendations that are no longer applicable dealt with maintaining lists of individuals authorized to sign purchase documents and ensuring that only those authorized individuals sign those documents. The two recommendations that were not implemented related to artificially dividing purchases as a means of circumventing the small purchase thresholds and using miscellaneous vouchers in situations in which purchase orders, advices of award, and internal vouchers were required.

To address the problems that still exist, the audit recommended that the Department should:

- Ensure that all contracts awarded to vendors are in compliance with PPB rules relating to small purchases. Furthermore, the Department should better anticipate its procurement needs and should combine purchases of the same or similar goods or services and conduct a fully competitive solicitation for such goods or services in accordance with the PPB rules.
- Not use miscellaneous vouchers in situations in which purchase orders, advices of award, and internal vouchers are required.
- Carefully review the Chart of Accounts and use the correct object codes for its expenses.

In addition to following up on the prior report's recommendations, other related tests of the Department's small procurement operation were performed. These tests found that the Department generally complied with the PPB rules and other applicable City guidelines. However, the audit noted that one sole-responsive bid was accepted by the Department without determining whether the bid was fair and reasonable, as required by the PPB rules. To address this new matter, the audit recommended that the Department take the necessary steps to ensure that sole-responsive bids are fair and reasonable, and that it documents this fact in its purchase files.

In its response, the Department stated that its "decision to split orders was not performed to circumvent policy, but to accommodate the needs of the Department. . . ." In addition, the Department stated that it has significantly reduced the instances of split orders and the inappropriate

use of miscellaneous vouchers. Furthermore, the Department stated that it will reinforce to its staff the necessity of using correct object codes and that it will take the necessary steps to ensure that sole-responsive bids are fair and reasonable, and will document this in its purchase files.

**Update**

The Department reported that it has partially implemented recommendations, Nos. 1, 2, and 4, as follows:

- The Department has reduced the number of split orders issued by establishing several new requirement contracts through the Department of Citywide Administrative Services (DCAS) and making use of New York State contracts.
- The Department has provided a Chart of Accounts to all staff involved in the procurement process, and will continue to reinforce the correct use of object codes.
- The Department will ensure that the sole responsive bids are fair and reasonable and will document these facts in the purchase files. The Department will re-bid the procurement if the sole responsive bid is not fair and reasonable.

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**FIRE DEPARTMENT (FDNY)**

Follow-up Audit Report of the New York City Fire Department's Fire Prevention Through Education

Audit # MH01-121F  
Comptroller's Audit Library # 7259  
Issued: June 13, 2001  
Monetary Effect: Not Applicable

**Introduction**

This follow-up audit assessed the level of improvement made by the New York City Fire Department (FDNY) in relation to seven recommendations contained in a previous report, *New York City Fire Department: Fire Prevention Through Education* (Audit #MH96-088S, issued April 3, 1998). The previous report focused on statistical data regarding fire safety education programs in 11 major U.S. cities and Tokyo, Japan, and compared their programs to New York City's fire safety education programs. Overall, that report concluded that

*"FDNY's fire safety education programs should be expanded and improved. In the face of rising fire-related deaths, mostly caused by the careless acts of individuals, too little of the Department's budget and workforce is dedicated to fire safety education, and the Department's programs reach too few people each year."*

To determine the level of improvement FDNY made in expanding and improving its fire safety education programs, as related to the earlier recommendations, the auditors: interviewed FDNY officials and personnel assigned to the Fire Safety Education Unit; reviewed the personnel and monetary resources available to the unit; attended fire safety education presentations; visited the Fire Museum, THE FIRE ZONE in Rockefeller Center, the Randall's Island Bronx Training Center, and FDNY's Fort Totten facility; reviewed statistical data for fiscal years 1999 and 2000 related to fire-related incidents and the community board districts where they occurred; and analyzed, for the same period, the number of fire safety presentations FDNY conducted at City elementary schools and the number conducted in community board districts following a fatal fire incident.

## **Results**

This follow-up audit determined that of the seven recommendations made in the previous report, FDNY made major improvements in relation to four and some improvements in relation to the other three.

FDNY made major improvements in effectively managing and using its resources to broaden its outreach efforts and deliver fire safety education to the public. By increasing the number of presentations it conducted—from 608 presentations in 1995 to 3,940 in 2000—FDNY effectively increased the proportion of the City's population it reached—from 6.9 percent in 1997 to 9.8 percent in 2000. FDNY has also been successful in increasing community awareness by including direct participation of uniformed personnel in its presentations, using its various exhibition sites (e.g., the Fire Museum, THE FIRE ZONE, and the mobile learning centers), and expanding its media campaigns to promote fire safety.

FDNY made some improvements in targeting specific areas of the City, expanding its school-based program, and intensifying its fund-raising efforts. However, the audit

noted that FDNY could do more to enhance its efforts in these areas.

A review of FDNY's statistical data disclosed that, on the whole, the total number of fire-related fatalities had decreased in comparison to the figures cited in the previous report. However, the review also indicated that the number of fire-related deaths caused by careless acts had increased and that fatalities from carelessly caused fires comprised a greater percentage of fire fatalities overall.

In addition, the auditors' analysis showed that many of the highest-ranking Community Board Districts (CBD) in three of four indicators (structural fires, arson fires, false alarms, and fire-related fatalities) were the same in 2000 as in the 1995 study. For fire-related deaths, only two of the highest-ranking CBDs in 2000 were the same as in 1995.

The auditors also measured FDNY's outreach efforts to all 697 of New York City's public elementary schools during fiscal years 1999 and 2000 and found that FDNY conducted fire and safety presentations at 497 (71%) of the schools. The remaining 200 (29%) elementary schools did not receive any fire safety presentation during these two years.

To address those areas where FDNY could further enhance its fire safety education programs, the audit made six new recommendations. FDNY should:

- Expand its focus on the major causes of fires and careless acts in its educational programs and printed materials.
- Address in its literature and presentations problems caused by false alarms.
- Consider alternative approaches in reaching out to the Community Board Districts that consistently have high rates of fires and fire-related incidents.
- Ensure that programs reach each school in New York City periodically (e.g., biannually).
- Expand its outreach to the adolescent and young adult population in junior high schools and high schools.
- Continue its fund raising efforts aimed at private groups and community organizations; establish goals each year to measure the success of these efforts.

FDNY generally agreed with the audit findings and recommendations and stated, "We are grateful that you recognized the intense work we have been doing expanding our Fire Safety Education programs over the last several years and we agree with you that these enhanced programs are meeting a vital need in the community. . . . We will continue our efforts and expand them where appropriate."

**Update**

FDNY reported that it has implemented all of the audit's recommendations, including the following:

- FDNY has monthly staff meetings and training sessions for firefighters, focusing on major causes of fire and careless acts.
- FDNY has incorporated the issue of false alarms in its literature, and firefighters are addressing problems caused by false alarms in their presentations.
- FDNY has begun to reach out to community board districts that have high rates of fire-related incidents by setting up frequent non-scheduled visits to community board managers to discuss the fire prevention program.
- FDNY is on schedule in visiting almost every school in the City at least twice a year.

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**DEPARTMENT OF HEALTH (DOH)**

Audit of the New York City Department of Health's Wide Area Network

Audit # 7A01-067  
Comptroller's Audit Library # 7267  
Issued: June 20, 2001  
Monetary Effect: None

**Introduction**

The Department of Health (DOH) supports a wide area network (WAN) application in addition to its mainframe operation. DOH is responsible for its WAN and mainframe user applications. [The Department of Information Technology and Telecommunications (DoITT) maintains DOH's mainframe computer systems (hardware and system software).]

The audit's objectives were to determine whether DOH: had adequate computer network maintenance and security controls for the WAN, had adequate computer operations and contingency plans, and whether the plans have been tested, and were in compliance with the City's standards applicable to regulating its computer environment.

**Results**

DOH's computer operations can be improved by formalizing and consistently enforcing its operating, access, and security policies and procedures. In addition, DOH should improve its data security possibly by using encryption methods to protect its confidential data. DOH also should improve physical security in its data center by installing improved fire suppression and detection equipment and video monitoring devices. Furthermore, DOH's Disaster Recovery Plan does not contain critical information needed to ensure that DOH's computer systems can continue to operate in the event of a disaster.

The audit made eight recommendations, the most significant of which are that DOH:

- Implement and enforce policies requiring that users periodically change their passwords, and that Management Information Services personnel activate the dial-back feature on the network.

- Determine the types and extent of its data that current law requires be kept confidential or the instances in which it may be desirable to keep data confidential even though current law does not require it. DOH should then enhance the security of the data by implementing one or more data security solutions, such as data encryption.
- Ensure that all sites have adequate fire detection and suppression systems.
- Ensure that its Disaster Recovery Plan contains detailed recovery information specific to each application, including the hardware and software components necessary to run the application.

From its response, it appears that DOH partially implemented one recommendation and is fully implementing seven of the audit's eight recommendations. The portion of the recommendation that DOH did not implement pertains to developing remote access procedures, in accordance with Comptroller's Directive #18. DOH stated its current procedures "are in compliance with the spirit of Directive #18."

**Update**

DOH reported that it is implementing the recommendations that it agreed with, including the following:

- DOH has completed written policies and procedures for general security issues. DOH's policy for temporary accounts will be implemented.
- DOH has not yet received the funding to develop the fire detection and suppression systems for its two largest data centers. DOH will again request funding for these centers.
- DOH has installed video cameras at its two largest data centers. DOH will install video cameras at the remaining sites when funding is received.
- DOH will implement its Disaster Recovery Plan by March 2002.
- DOH has a manual processing procedure for cash management and issuance of birth and death certificates in the event of a mainframe failure.

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**DEPARTMENT OF HEALTH (DOH)**

Audit Report on the Effectiveness of the New York City Department of Health's AIDS Hotline

Audit # MJ01-157A  
Comptroller's Audit Library # 7256  
Issued: June 12, 2001  
Monetary Effect: None

**Introduction**

This audit evaluated whether the Department of Health (DOH) AIDS Hotline complies with the Citywide Customer Service Initiative by answering calls within three rings and limiting hold time to no more than two minutes. This audit also determined whether the Hotline provides accurate and useful telephone information to callers.

In 1985, DOH initiated a citywide telephone service called the AIDS Hotline (Hotline) to address the problem of human immuno-deficiency virus (HIV) and acquired immuno-deficiency syndrome (AIDS). The Hotline provides information and referrals to callers on a wide range of HIV- and AIDS-related issues. In 1996, the Mayor's Office of Operations established the Citywide Customer Service Initiative that set a telephone service standard requiring calls to be answered in three rings or less, with a hold time of not more than two minutes after calls have been answered.

**Results**

DOH's AIDS Hotline information-specialists answered calls in three rings or less as required. Once connected with our callers, the information-specialists took the time to provide the information that we requested, were sympathetic with callers' needs, and the information they provided was usually accurate. The average hold time for our 51 test calls was 1 minute and 54 seconds, 6 seconds under the two-minute hold time standard set by the Citywide Customer Service Initiative.

Nevertheless, there is room for improvement. System activity reports for April 2000 through March 2001 revealed that 2,920 (9.8%) of the 29,639 calls in which information-specialist assistance was requested were abandoned by the callers after being on hold for two minutes or more. The

Hotline's ACD system does not retain and report information on the number of calls received by the Hotline in which information-specialist assistance is requested according to particular time segments (e.g., per hour). This limits the agency's ability to identify those time periods with the highest average hold times and highest percentage of abandoned calls, and to allocate its staff accordingly for better service in those time periods.

The audit resulted in four recommendations to the Department of Health, all listed below. DOH should:

- Ensure that callers to the Hotline do not receive inaccurate referral information by requiring that information-specialists either (1) use the HEALTH system [Hotline Education And Linkage To Healthcare database] when providing referrals, or (2) verify any information obtained from the non-DOH manual referral directory before providing such information to callers.
- Program the ACD system to track the volume of calls in which information-specialist assistance was requested, according to time interval (e.g., per hour), so that the agency is better equipped to determine staff allocation needs and meet the City's telephone customer service standards.
- Program the ACD system so that it provides accurate figures regarding the Hotline's activity and so that calls are not double-counted in performance reports.
- Program the ACD system so that callers, such as those using rotary phones, are connected to an information specialist when the touch-tone feature is not used.

In its response DOH agreed with the audit's recommendations.

### Update

DOH reported that it is implementing the audit's recommendations as follows:

- Information specialists continue to use the HEALTH system's Referral Resource Provider Listing when giving referrals.
- Prior to September 11<sup>th</sup>, the AIDS Hotline was part of an Intelipath System hosted by Verizon. Since September 11<sup>th</sup>, Verizon could no longer provide the Intelipath System or

dial tone service. DOH plans to contract with MCI WorldCom as vendor for both the dial tone service and telephone system. DOH is also in the process of implementing a new software application that is compatible with MCI WorldCom and able to program the ACD telephone system to track according to time interval the number of callers requesting to speak to an information specialist. DOH expects implementation of the new software to be completed by March 30, 2002.

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**HEALTH AND HOSPITALS CORPORATION (HHC)**

Audit Report on the Hospital Auxiliary to Coney Island Hospital, Inc. January 1, 1998, to December 31, 1999

Audit # FN01-153A

Comptroller's Audit Library # 7278

Issued: June 25, 2001

Monetary Effect: None

**Introduction**

The Hospital Auxiliary to Coney Island Hospital, Inc. (Auxiliary), in Brooklyn, is a non-profit organization, managing funds designated for services that enhance patient care. The New York City Health and Hospitals Corporation (HHC) established Operating Procedures to ensure that HHC hospitals follow appropriate rules, regulations, and procedures for collecting and using auxiliary funds. Revenue collected for the Auxiliary is for either "unrestricted" or "restricted" use. According to HHC Operating Procedure #10-20, Auxiliary funds may be used for purchases the Auxiliary deems necessary for patient care. In 1999, the Auxiliary collected \$235,058 and spent \$192,189 of its unrestricted funds, and collected \$34,746 and spent \$35,265 of its restricted funds.

The audit's objectives were to determine whether: revenues and expenses were recorded accurately, and fairly stated in the Auxiliary's financial statements; internal controls over the processing of revenues and expenses were adequate; expenses were in compliance with prescribed procedures and guidelines, and were reasonable and appropriate.

**Results**

The Auxiliary generally adhered to the provisions of HHC's Operating Procedures. Its financial statements fairly represented the financial condition of the Auxiliary Fund, and its expenditures were generally reasonable and appropriate. The Auxiliary had an adequate system of internal controls over its revenue and expenses.

However, the Auxiliary made payments totaling \$8,916 during 1999 that were not directly related to patient care and that were not in accordance with HHC procedures; and the

Auxiliary did not have sufficient documentation to support two transactions.

The audit recommended that the Auxiliary ensure that expenses are processed in accordance with HHC's Operating Procedures, and that all expenses are properly documented.

HHC, which responded for the Auxiliary, stated that the Auxiliary would continue to monitor expenses to ensure full compliance with HHC procedures.

### Update

HHC reported that the Controller's Office will ensure that all expenses incurred from the Auxiliary are patient-care related and that documentation is required prior to the issuance of Auxiliary funds.

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### **HEALTH AND HOSPITALS CORPORATION (HHC)**

Audit Report on the New York City Health and Hospitals Corporation's Auxiliary of Elmhurst Hospital Center Inc., January 1, 1999, to December 31, 1999

Audit # MD00-200A

Comptroller's Audit Library # 7202

Issued: April 9, 2001

Monetary Effect: Actual Revenue: \$42,250

### Introduction

This audit determined whether the revenues and expenditures of the Auxiliary (Auxiliary) of Elmhurst Hospital Center Inc. were recorded accurately and fairly stated in the financial statements, whether internal controls over the processing of revenues and expenses are adequate and whether incurred expenses are reasonable and necessary for the operation of the hospital. We reviewed the Auxiliary's general ledger, cash receipts and disbursements journals, and various contracts with concessionaires. We also tested a three-month sample of receipts from donations and disbursements made during calendar year 1999.

The Auxiliary, which is part of Queens Health Network, manages funds designated for services and programs that enhance patient care at Elmhurst Hospital Center. It also provides community outreach efforts to improve the image of the hospital. The Auxiliary raises funds through donations, fund-raising efforts, and other revenue sources, including contracts with concessionaires. The New York City Health and Hospitals Corporation (HHC) established operating procedures to ensure that HHC hospitals follow appropriate regulations for collecting and using auxiliary funds.

## **Results**

The Auxiliary generally adhered to HHC's operating procedures, policies and guidelines, and the Auxiliary bylaws. However, neither the Auxiliary nor Queens Health Network officials adequately monitored or enforced the terms of the contracts with vendors operating concessions in Elmhurst Hospital Center to ensure that contracts were current and that vendors were complying with the contract terms. As a result, the Auxiliary could have lost up to \$72,130 in additional revenues. In its response, Auxiliary officials stated that they have already recouped \$33,960 in concession fees and are assessing its concessionaires for the remaining \$38,170 noted in our report.

In addition, the Auxiliary has some weaknesses in its internal control system over receipts and disbursements.

The audit made 20 recommendations to Auxiliary and Queens Health Network officials, the most significant of which are listed below. The Auxiliary Board of Directors and Queens Health Network officials should:

- Invest one department with the responsibility to monitor concession contracts.
- Ensure that there is adequate and effective communication between the department responsible for monitoring concession contracts and the other departments.
- Make a greater effort to collect all revenues when they are due and assess penalties when appropriate.
- Ensure that renewals of contracts or competitive solicitations are initiated well before the expiration of contracts.

- Ensure that there is adequate supervision of the Treasurer's recording of donations and vendor lobby receipts and of the monthly bank reconciliation prepared by the Auxiliary's accountant.
- Ensure that cash and checks are deposited in timely fashion.

HHC officials generally agreed with the audit's findings and have already taken steps to implement our recommendations. In HHC's response, the President of HHC stated:

"I was pleased to read, as our audit reports also indicated, the Auxiliary generally adhered to the NYC Health and Hospital Corporation's operating procedures, policies and guidelines and the Auxiliary's bylaws.

"Please be advised the Network and the Auxiliary worked together to recoup \$24,000 of erroneous billings and collected \$9,960 for concession fees that were in arrears. Elmhurst Hospital and the Auxiliary are also assessing the late payments fees of \$38,170 noted in your report. The facility will notify vendors that the escrow accounts will be reduced for the late payment fees if necessary.

"Moreover as issues were brought to our attention by the auditors, Elmhurst and the Auxiliary reacted and took corrective action where appropriate."

### Update

HHC reported that the Elmhurst Auxiliary is implementing 19 recommendations, including the following:

- The Auxiliary has improved interdepartmental communication.
- The Auxiliary has instituted procedures to better monitor the timely receipt of concession revenue.
- The Auxiliary has instituted procedures to better monitor the accuracy of commission payments. If there are discrepancies, the vendors' escrow accounts will be reduced.
- The Auxiliary has started to assess penalties when concession fees are paid late. The vendors' escrow accounts will be reduced accordingly for late payments.

- The Auxiliary has increased its notification timetable from three months to six months in order to monitor contracts that near expiration.
- The Purchasing Department now tracks the expiration of contracts in a more timely manner.
- The Auxiliary bookkeeper now deposits funds in a timely manner.
- The Auxiliary President will maintain the appropriate log to record donations and vendor lobby receipts, and will compare them to the appropriate accounts.
- The Auxiliary bookkeeper has developed an improved filing system to provide an accurate audit trail of receipts and disbursements.

The Auxiliary collected the entire \$8,290 of late payment fees against the Medical Records Copy Services. However, the Auxiliary did not collect late payment fees from TV Rentals, based upon an agreement that they did not have to pay the fees.

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#### **HEALTH AND HOSPITALS CORPORATION (HHC)**

Audit Report on the New York City Health and Hospitals Corporation's Jacobi Medical Center Auxiliary, Inc.

Audit # MG00-187A

Comptroller's Audit Library # 7247

Issued: June 7, 2001

Monetary Effect: Potential Revenue \$4,774

#### **Introduction**

This audit analyzed the revenues and expenses recorded by HHC's Jacobi Medical Center Auxiliary, Inc. (Auxiliary) and determined whether they were accurate and fairly reported in the financial statements. It also evaluated the internal control structure over the collection and disbursement of funds, and whether expenses incurred were in compliance with prescribed procedures, guidelines, and bylaws.

The Jacobi Medical Center Auxiliary, Inc. is a nonprofit organization that manages funds designated for services and programs that enhance the quality of patient care at Jacobi



Medical Center. Unrestricted funds are generated from contracts with concessionaires, and fund-raising events, and may be used for purchases the Auxiliary deems necessary for patient-related care. The Auxiliary earned \$324,187 for 1999, but reported losses of \$250,252, which left only \$73,935 for unrestricted use.

The Auxiliary also manages several restricted funds in custodial accounts that may only be used by specific departments for designated purposes. The restrictions for each custodial fund are set forth in bequests, grant letters, etc. During 1999, the Auxiliary raised \$82,245 and spent \$41,651 for restricted use.

### **Results**

Although the Jacobi Medical Center Auxiliary maintained adequate accountability over its funds, there were weaknesses in several areas of the Auxiliary's overall internal control structure. These were in planning and managing a fund-raising gala, segregation of duties, operations of the gift shop, and monitoring and enforcing the contracts with vendors.

- Neither the Auxiliary nor the hospital adequately planned and managed the gala; consequently, the Auxiliary lost \$213,459. Furthermore, \$134,000 of Auxiliary funds was spent for the gala without proper authorization.
- The Auxiliary purchased goods for \$326,578 without following proper bidding procedures.
- Nine checks, for more than \$2,500 each, totaling \$124,124, were not approved by the Auxiliary's board prior to their expenditure as required.
- The gift shop operated by the Auxiliary is losing money, the internal control structure is weak, there are deficiencies in its management, the revenue records cannot be reconciled in a way that makes sense, and the inventory system is inadequate.
- Neither the Auxiliary nor the hospital adequately monitor and enforce the contracts with concessionaires. One vendor owes the Auxiliary \$4,774 in commission payments.

This audit made 14 recommendations, some of which are listed below. The Auxiliary Board of Directors should:

- Properly plan and manage all fund-raising events. They should allow adequate preparation time to ensure that, at a minimum, these events will cover their costs.
- Ensure that all purchases comply with HHC's procurement procedures.
- Ensure that approval for all purchases of more than \$2,500 is documented in the board's meeting minutes.
- Consider having an outside vendor operate the gift shop.
- Investigate the cause for the large variance between the amount of sales that could reasonably be anticipated and the amounts reported for the gift shop.
- Monitor contracts to ensure that the bidding or renewal process is initiated well before each contract's expiration date.
- Collect the additional commission payment of \$4,774 owed.

In their written response to the report, HHC officials agreed to implement 13 recommendations and disagreed with and will not implement 1 recommendation.

### Update

HHC reported that it is implementing the recommendations it agreed with, including:

- All funds held by the Jacobi Medical Center Auxiliary, Inc. are disbursed with the authorization of the Auxiliary Board and recorded in the minutes. The Auxiliary controls the planning for events where the Auxiliary's funds are involved. Copies of the monthly financial statements are submitted to the Auxiliary Board at the monthly meetings.
- The Associate Executive Director of Public Relations/Marketing and Development has revised the planning of all fundraising events in conjunction with the Internal Audits Department. The Director of Internal Audits has established guidelines on how the fund raising committee should collect and submit funds to the Auxiliary for deposit. Monthly reports of expenditures are submitted to the Board.
- The Internal Audits Department met with the Auxiliary to provide the Auxiliary with the procurement procedures and reorient them on the policies for procuring equipment,

supplies, and services so that all purchases follow the appropriate procedures.

- All purchases of more than \$2,500 from unrestricted funds are documented in the monthly minutes and approved by the Auxiliary Board.
- The Jacobi Medical Center has written an RFP to contract with an outside vendor to operate a gift shop and is awaiting approval from the Auxiliary Department.
- The Jacobi Medical Center's Finance Division will periodically review and evaluate all contracts to determine the appropriate time for re-bidding or renewing the contracts.
- The Auxiliary checks the commission payments from all vendors for mathematical accuracy each month and for compliance with the contractual requirements.
- The Internal Audits Department requested that the Dunkin Donuts vendor pay the outstanding \$4,774 owed to the Auxiliary. The Auxiliary anticipates receiving full payment by April 2002.

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#### **HEALTH AND HOSPITALS CORPORATION (HHC)**

Audit Report on the New York City Health and Hospitals Corporation's Elmhurst Hospital Center Inventory Controls of Non-Controlled Drugs and Other Goods

Audit # MG01-102A

Comptroller's Audit Library # 7297

Issued: June 29, 2001

Monetary Effect: None

#### **Introduction**

This audit analyzed and reviewed the internal controls over Elmhurst Hospital Center's inventory of non-controlled drugs and other goods.

The New York City Health and Hospitals Corporation provides comprehensive medical, mental health and substance abuse services to City residents regardless of their ability to pay. HHC's hospitals, clinics, and other facilities require substantial quantities of drugs and medical and

surgical supplies. HHC keeps perpetual inventory records on its computerized OTPS (Other Than Personnel Services) procurement management system. At Elmhurst Hospital Center, the facility selected for this audit, the total cost of drugs (controlled and non-controlled) purchased by the Pharmacy Department was almost \$12 million. The total for medical and surgical supplies purchased for Material Management was almost \$4 million. Elmhurst Hospital's records show that at the end of fiscal year 2000 the value of the Pharmacy Department's inventory was \$388,946; Material Management's medical and surgical inventory totaled \$614,321.

## **Results**

The inventory controls of Elmhurst Hospital's Pharmacy Department and Material Management had weaknesses in the hospital's procedures and record keeping. Sizeable inventories of non-controlled drugs and medical surgical supplies were kept in many areas of the hospital after the stockroom and storerooms issued and deducted them from the inventory amounts. None of the receiving areas, except the Pre-pack division of the Pharmacy, maintained records of those drugs and supplies.

The physical inventory of 120 non-controlled drugs in the Pharmacy stockroom, with a recorded value of \$143,132, disclosed that 63 items (53%) had a different actual count from that recorded in the OTPS inventory system. The physical inventory of 120 items from the inventory of medical and surgical supplies, valued at \$254,638, disclosed that 22 (18%) had a different actual count from that recorded in the OTPS inventory system. It is estimated that Elmhurst Hospital's inventory records for non-controlled drugs and medical and surgical supplies had discrepancies of approximately \$226,647 out of a total tested inventory of \$1,205,530. It is estimated that the inventory of the tested total of the non-controlled drugs contained discrepancies of \$186,243-\$122,388 in overages and \$63,855 in shortages; that the medical and surgical supplies contained discrepancies of \$40,404-\$26,936 in overages and \$13,468 in shortages. Furthermore, the Pharmacy Department did not adequately segregate the duties of its storeroom staff. The same two stockroom workers were responsible for issuing non-controlled drugs to the Pharmacy subdivisions and recording that issuance in the OTPS system.

This audit made 15 recommendations, some of which are listed below. HHC should:

- Periodically conduct physical counts of its inventory to verify the accuracy of its inventory records, and investigate all variances to determine their cause.
- Make appropriate adjustments to the OTPS system to accurately reflect the inventory of non-controlled drugs and medical and surgical supplies.
- Ensure that the responsibility for receiving and issuing non-controlled drugs is independent from that of entering that information into the OTPS system.
- Review the feasibility of maintaining inventory records for the non-controlled drugs kept at the Pharmacy subdivisions.
- Review the feasibility of maintaining inventory records for the medical and surgical supplies kept in the cart room.

In their written response to the report, HHC officials agreed with and will implement 11 of the 15 recommendations, agreed with but are unable to implement 2 recommendations, and disagreed with and will not implement 2 recommendations.

### Update

HHC reported that it is implementing the recommendations it agreed with, including the following:

- The Elmhurst Hospital Pharmacy conducted physical inventories on June 29, 2001, and December 18, 2001. The pharmacy staff also plans to reconcile all discrepancies between the physical inventory and the computer balance.
- Elmhurst Hospital is making adjustments in the OTPS inventory to reflect free goods received; Materials Management is including all goods received as of August 2001.
- Elmhurst Hospital is making adjustments to reflect expired drugs removed from the inventory.
- Materials Management officials are verifying the accuracy of its inventory.
- The Elmhurst Hospital Pharmacy has assigned and trained a separate individual to enter receipts and issues in the OTPS

inventory. This person does not receive or issue non-controlled drugs.

- The Materials Management Assistant Director of Stores will ensure that the cart room's door security is maintained.
- Staff of HHC's Medical and Professional Affairs will coordinate the revisions to the Operating Procedures to include the current computerized systems used to maintain and control drug inventories.

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#### **HEALTH AND HOSPITALS CORPORATION (HHC)**

Audit Report on the New York City Health and Hospital Corporation's Queens Hospital Center Auxiliary, Inc.

Audit # MG01-131A

Comptroller's Audit Library # 7211

Issued: April 23, 2001

Monetary Effect: None

#### **Introduction**

This audit determined whether revenues and expenses were recorded accurately and were fairly stated in the Queens Hospital Center Auxiliary's financial statements, whether internal controls over the collection and disbursement of funds were adequate and whether expenditures were reasonable and necessary for the operation of the hospital.

The Queens Hospital Center is part of the Queens Health Network. The Queens Hospital Center Auxiliary, Inc. (Auxiliary) is a nonprofit organization that manages funds designated for services and programs that enhance the quality of patient care at the hospital. The Auxiliary raises funds through donations and other revenue sources, including contracts with concessionaires. Auxiliary funds fall into two categories: "unrestricted" and "restricted." Unrestricted funds are those generated from contracts with concessionaires (e.g., television rentals, vending machines, and baby portraits) and the gift shop, and may be used for purchases the Auxiliary deems necessary for patient-related care. The Auxiliary earned unrestricted funds of \$49,461 for 1999 and expended \$16,117.

## Results

The Auxiliary's recorded transactions were reasonable, valid, and properly authorized and classified. Its incurred expenses were in compliance with prescribed procedures, guidelines, and by-laws, and all revenues and expenses were recorded accurately and fairly stated in the Auxiliary's financial statements.

There were weaknesses in several areas of the Auxiliary's internal control structure including corporate governance, segregation of duties, concession contract compliance, and maintenance of bid documents. Specifically, the Auxiliary did not hold regular meetings of the active membership, did not hold a fund-raising drive during calendar year 1999, and there was no evidence that the Auxiliary made any attempts to attract new members. In addition, the Auxiliary does not segregate the responsibilities for authorizing and processing receipts and disbursements. These functions are all performed by the bookkeeper, with no oversight review. Neither the Auxiliary nor Queens Hospital Center has adequately monitored or enforced the terms of the contracts with vendors operating concessions at the hospital to ensure that the contracts were current and the vendors were complying with all the contract terms. Furthermore, the Queens Hospital Center's Purchasing Department was unable to supply copies of the bids submitted to operate the concessions.

This audit made 15 recommendations, some of which are listed below. The Auxiliary Board of Directors and the Queens Hospital Center should:

- Meet to discuss and determine the future of the Auxiliary. If the Hospital plans on allowing it to exist, steps need to be taken to strengthen the Auxiliary.

The Auxiliary Board of Directors should:

- Hold monthly board meetings at least eight times a year and hold one annual meeting in April.
- Ensure that there is adequate supervision and review of the Auxiliary's transactions.
- Ensure that the television rental company is reimbursing the hospital for the correct amount of electricity usage.

- Ensure that all terms of the concession contracts are closely monitored.
- Maintain copies of bids submitted to operate concessions.

In its written response to the report, HHC generally agreed with the audit's findings and recommendations.

### Update

HHC reported that it is implementing all of the audit's recommendations, including the following:

- Queens Hospital Center now has an official operating Auxiliary.
- The Auxiliary now has a newly appointed Board of Directors that meets monthly.
- The Auxiliary will work closely with Elmhurst Hospital to jointly sponsor fund-raising events.
- The Auxiliary has a new President and new Officers.
- The Board of Directors, along with the Finance Department, and Internal Audit Department, will review Auxiliary transactions. The bookkeeper will not be an authorized signatory.
- The Hospital Administrator and the Auxiliary bookkeeper will request that the television rental vendor provide additional supporting documentation to determine if the vendor is reimbursing the Queens Hospital Center for the correct amount of electrical use.
- The Treasurer will monitor all monthly commission statements to ensure that the correct amounts of commissions are being received.

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### **HEALTH AND HOSPITALS CORPORATION (HHC)**

Audit Report on the New York City Health and Hospitals Corporation's Internal Controls Over Cash Receipts at Elmhurst Hospital

Audit # MG01-160A

Comptroller's Audit Library # 7286

Issued: June 27, 2001

Monetary Effect: None



## Introduction

The Elmhurst Hospital Center is one of the 11 acute-care hospitals operated by the Health and Hospitals Corporation (HHC). This audit determined whether Elmhurst Hospital had adequate internal controls over its cash receipts. Elmhurst Hospital collects cash at four locations: the Property Office, the Elmhurst Hospital Halfway House, the Cashier's Office for Outpatient Services (OPD Finance), and the Outpatient Pharmacy. In January 2001 (the audit scope), cash receipts totaled \$327,187.

## Results

Overall, Elmhurst Hospital's Property Office, OPD Finance unit, and Outpatient Pharmacy adhere to HHC's Operating Procedures for monitoring and accounting for cash receipts. All cashiers' receipts matched their corresponding Tally Sheet and register tape totals. The grand total of all daily receipts matched the grand totals on the Daily Summary Worksheets, and there were no discrepancies between the total daily collections and the amounts deposited in the bank. There was adequate segregation of duties so that the responsibilities for collecting, depositing, and accounting for receipts were performed by different individuals; and, the responsibility for preparing bank reconciliations was segregated from the cash receipt functions.

There were some weaknesses in the safeguarding of assets in the Property Office and OPD Finance, and in the use of pre-numbered receipts at OPD Finance. There were also inadequate internal controls over the collection of cash at the Halfway House, which included a lack of segregation of duties, a lack of supervision, inadequate monitoring, poor record keeping, untimely deposits, missing receipt numbers, and cash and checks that were never deposited.

This audit made 14 recommendations, some of which are listed below. Elmhurst Hospital should:

- Ensure that receipts are accounted for numerically and that copies of all receipts are kept, including voids.
- Consider conducting a full investigation of the Halfway House's financial records.

- Require the Halfway House to maintain a list of residents and the amount of rent each resident is required to pay and a log of cash received from each.
- Ensure that there is adequate segregation of duties, supervision, and monitoring of cash collected at the Halfway House.
- Ensure that the safe room in the Property Office remains locked throughout the day.
- Ensure that cash collected is not left unattended in the Cashier's area.

In its written response to the report, HHC generally agreed with the audit's findings and recommendations. HHC agreed to implement 12 of the recommendations, disagreed with one pertaining to providing supervision of cashiers on weekends, and stated that it was unable to implement the recommendation to ensure that the safe room remains locked throughout the day.

### Update

HHC reported that it has implemented all of the recommendations that it agreed with, including the following:

- The Program's Associate Director conducted a review of the Halfway House financial records. HHC decided to assign the Halfway House's accounting functions to Elmhurst's Property Office.
- The Halfway House has implemented an appropriate logging system to account for rent received from each resident and to track the amount due to Elmhurst Hospital.
- The Halfway House will forward cash receipts to the Property Office. The Property Office will make bank deposits every other day.
- The Halfway House accounts for all receipts in numeric order. Copies of all voided receipts will be kept on file.
- All checks from the Department of Social Services are transmitted through an electronics fund transfer to the bank.
- Cashiers have been instructed to ensure that cash boxes are locked and placed in the safe when not in use.

**DEPARTMENT OF HOMELESS SERVICES (DHS)**

Follow-up Audit Report of the Data Processing Controls and Procedures at the Department of Homeless Services

Audit # 7F01-068

Comptroller's Audit Library # 7158

Issued: January 25, 2001

Monetary Effect: None

**Introduction**

This follow-up audit determined whether the Department of Homeless Services (DHS) implemented the 25 recommendations made in the previous audit, *Audit Report of the Data Processing Controls and Procedures at the Department of Homeless Services (Audit # 7A98-121, issued June 30, 1998)*, which evaluated whether DHS had adequate data processing controls and procedures over its mid-range computer environment and its Local Area Network's (LAN's) environment.

DHS provides temporary emergency shelter for homeless families and single adults, and assists them in obtaining access to permanent housing. DHS' Office of Information Technology (OIT) provides information services to support the agency's mission.

**Results**

DHS has implemented eight of the 25 earlier recommendations; six recommendations were partially implemented, and 11 were not implemented.

The eight recommendations that were implemented pertain to securing an off-site facility for storing duplicate copies of system documentation, improving physical security controls over the data center, installing fire detectors and/or smoke detectors; and, installing anti-virus software.

The six recommendations that were partially implemented pertain to updating the Disaster Recovery Plan and improving inventory control procedures.

The 11 recommendations that were not implemented pertain to tracking software applications used on workstations connected to the network and identifying unlicensed software; disabling User Ids of inactive employees; ensuring that all

users activate the time-out feature on their workstations; establishing procedures related to system access violations and change controls.

The audit made 12 recommendations, including that DHS should:

- Update its *Baseline Procedures* to include all administrative and operational policies and procedures for its computer environment (i.e., computer inventory control and system development life-cycle methodology).
- Obtain an alternative-processing site for resuming EDP operation in the event of a disaster.
- Compile an up-to-date inventory for all computer equipment and software.
- Establish formal procedures to document and report system access violations, and review and follow up on all reported access violations.

A new issue, Internet connectivity, was raised during the course of this audit. As part of the citywide requirement, agencies that plan to install an agency-wide Internet connection must submit their proposal to the Department of Investigation (DOI) for its approval. DHS has not yet submitted its proposal to DOI. Therefore, the report recommended that DHS submit a proposal to DOI for approval.

In its response, DHS generally agreed with the audit's findings and recommendations.

### Update

DHS reported that it is implementing 11 recommendations, including the following:

- DHS is expanding its *Baseline Procedures* to include all areas of its computer environment, including computer inventory control and the system development life cycle.
- OIT's Disaster Recovery Plan was updated in May 2001.
- DHS has designated an alternative-processing site that is scheduled to be operational in July 2002.
- DHS is compiling an up-to-date inventory of computer equipment and software.

- OIT has implemented the use of SMS software as part of its Microsoft Systems 2000 upgrade. This product gives OIT central control of all workstations on the network, including the ability to review and remove unlicensed software from DHS workstations.
- DHS has disabled the User IDs for all inactive employees.
- DHS has submitted an Internet Security proposal to DOI and has received written approval.

DHS does not plan to install a timeout feature on workstations in the shelter system because it would cause delays in processing clients.

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**DEPARTMENT OF HOMELESS SERVICES (DHS)**

Follow-up Audit on the New York City Department of Homeless Services Small Procurement and Vouchering Practices

Audit # FR00-188F  
Comptroller's Audit Library # 7218  
Issued: April 27, 2001  
Monetary Effect: None

**Introduction**

This follow-up audit determined whether the Department of Homeless Services (the Department) implemented the 14 recommendations made in a previous audit report, *Audit Report on the New York City Department of Homeless Services' Small Procurement and Vouchering Practices* (Audit # FR99-124A, issued June 24, 1999). The previous audit evaluated the Department's compliance with Procurement Policy Board (PPB) Rules, Comptroller's Directives, local laws, and other City guidelines, pertaining to its small procurement and vouchering practices.

The previous audit identified various weaknesses in the Department's small procurement operation. Specifically, the Department artificially divided purchases in order to meet the small purchase requirements of the PPB Rules; it failed to use New York City requirement contracts for certain procurements; it did not solicit bids for purchase contracts in excess of \$2,500 each; it did not enter purchase orders, in excess of \$10,000, into the City's computerized database,

ICCIS; when it purchased from State contracts it did not indicate in its purchase files that the price paid was lower than the prevailing market rate; it did not adequately document its acceptance of sole-responsive bids in the purchase files; it awarded a contract to a non-responsive bidder; it failed to take advantage of prompt payment discounts; it encumbered funds and procured items even though supervisors did not approve the related requisitions; and it issued miscellaneous vouchers without sufficient documentation to support payment.

This follow-up audit concluded that 4 of the 14 recommendations contained in the previous report were implemented, 1 was partially implemented, 3 were no longer applicable, and 6 were not implemented. The four recommendations that were implemented pertained to the Department soliciting bids for purchases greater than \$2,500, not using miscellaneous vouchers when other purchase methods were appropriate, making timely payments to vendors, and ensuring that purchase documents were approved prior to encumbering funds. The one recommendation that was partially implemented pertained to including sufficient documentation in the payment files. The three recommendations that are no longer applicable pertain to documenting that bids received from sole responsive bidders are fair and reasonable, entering certain purchases into ICCIS, and only awarding contracts to responsive bidders.

The 6 recommendations that were not implemented pertain to the Department artificially dividing purchases (of the 41 small purchase contracts reviewed during the current audit, the Department inappropriately divided 21 contracts awarded to nine vendors, totaling \$401,045), not using the City's requirement contracts when available, not researching the market before purchasing from New York State contracts, charging purchases to the wrong fiscal year, not charging purchases to the correct object codes, and not marking all parts of voucher packages "vouchered."

To address the problems that still exist, the audit made seven recommendations including that the Department:

- Ensure that all contracts awarded to vendors are in compliance with PPB rules relating to small purchases;
- Ensure that it follows the Comptroller's yearly closing instructions; and

- Ensure that all parts of the voucher package are marked "vouchered."

In addition to following up on the prior report's recommendations, other related tests of the Department's small procurement operation were performed. These tests found that the Department used improper practices to circumvent the solicitation requirement of § 3-08 of the PPB rules, processed questionable or excess payments, encumbered funds after goods were received, and issued purchase orders with inadequate specifications. To address these new matters, the audit made 4 additional recommendations to the Department.

In its response, the Department agreed to implement all of the report's recommendations. The Department, however, did not agree that it artificially split orders to circumvent the PPB rules, that it charged the incorrect object code for one purchase order, that its system for canceling petty cash replenishment packages could lead to duplicate payments, and that it made any questionable or excess payments.

**Update**

The Department reported that it has implemented six recommendations, including the following:

- The Department issued a formal procedural memo in April 2001 to ensure that City procurement procedures are followed.
- The Department uses the FMS Crystal reports to capture information on payments made that need to be charged back. This should reduce the number of instances in which expenses are charged to the incorrect fiscal year.
- The Department is carefully reviewing the Chart of Accounts and has made progress in using the correct object codes for all of its expenses.
- The Department hired a new Director for Petty Cash in November 2001. The Department will revise its procedures and conduct training to ensure that petty cash expenses are supported with proper documentation.

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**DEPARTMENT OF HOMELESS SERVICES (DHS)**

Audit Report on the Compliance of The Floating Hospital, Inc., with its Contract with DHS to Provide Medical Services in the Auburn Family Reception Center

Audit # MG01-110A

Comptroller's Audit Library # 7269

Issued: June 21, 2001

Monetary Effect: Actual Revenue: \$68,315

**Introduction**

This audit determined whether the Department of Homeless Services (DHS) adequately monitors The Floating Hospital's compliance with its contract for medical services at the Auburn Family Reception Center; whether The Floating Hospital complies with the terms of its contract to provide medical services at the center; and whether The Floating Hospital properly credited DHS for Medicaid reimbursements it received for patients treated at the center.

DHS provides temporary emergency shelter and supportive services to homeless families and homeless adults without children. Families enter the shelter system through the Emergency Assistance Unit; those who are conditionally approved are sent to an assessment shelter facility. State regulations require that each person entering a family shelter be screened by the medical staff within 24 hours of arrival, unless they have been screened within the past year and have not been absent from the shelter system for longer than 48 hours.

**Results**

Generally, the Floating Hospital provides the services required under its contract with DHS. It does not, however, comply with contractual reporting requirements. It did not submit its monthly invoices on time, and its monthly program reports were both late and incomplete. During fiscal year 2000, DHS did not adequately monitor The Floating Hospital's activities and expenditures and did not enforce the contractual reporting requirements. Moreover, DHS is not complying with the medical screening protocol at Auburn and does not serve the clients with Denial Notices for failure to submit to medical screening. For the months of May through



July 2000, 24 percent of the families arriving at Auburn Center who were supposed to be screened were not.

The Floating Hospital did not comply with contractual staffing requirements. Its record keeping was inadequate; numerous charges could not be supported or were incorrect, and it was not possible to verify the amount of Medicaid revenues attributable to Auburn. The backup documentation indicated items that were charged to DHS for the clinic at Auburn that should have been charged to other Floating Hospital programs, expenses that should have been charged to Auburn but were not, and items that were charged twice on the same invoice. There were timekeeping records that did not support the charges to DHS. We also questioned some charges for "allocations" made by The Floating hospital without detailed support. Overall, The Floating Hospital overcharged DHS \$68,315 in both Personal Services and Other Than Personal Services charges; this amount included \$3,970 relating to Auburn that should have been charged to DHS but was not.

The audit report made 18 recommendations, including that DHS should:

- Strictly enforce the screening requirement for persons entering Auburn, and serve a Denial Notice on any family that fails to appear for screening at the clinic at Auburn.
- More closely monitor its medical services contract with the Floating Hospital to ensure that the contractor is complying with the contract. Review the monthly invoices more carefully, and periodically examine the backup documentation.
- Require that the Floating Hospital keep accurate timekeeping records for all staff members who work at the clinic at Auburn.
- Require the Floating Hospital to deduct the Medicaid reimbursement received from each monthly invoice, rather than in one lump sum at the end of the year, and maintain in a retrievable form the necessary backup documentation to support the Medicaid reimbursement.

In their written response to the report, DHS officials agreed to implement 15 recommendations, disagreed with and will not implement 2 recommendations, and cited one recommendation as no longer being applicable.

Update

DHS reported that it is implementing the recommendations that it agreed with, including the following:

- Since July 2001, DHS has begun to more closely monitor the staffing levels and invoice submissions of the Floating Hospital. DHS reviews the invoice submissions together with the back-up documentation to ensure expenditures are within the approved amounts and do not exceed the budgeted amount. In addition DHS reviews, the sign-in/out logbook monthly to ensure staff coverage and to verify that the appropriate signatures are present. DHS sends a notification letter to Floating Hospital outlining any discrepancies found during the review. DHS will disallow payment if there is no documentation confirming that a person worked on a specific date.
- The Floating Hospital must send quarterly program reports of monthly activity to DHS. Since November 15, 2001, DHS has implemented a report tracking control form to monitor timely submissions of program reports. DHS sends notification letters to the Floating Hospital if the quarterly reports are more than two weeks late.
- Since July 2001, the Floating Hospital indicates on the time cards the time that staff assigned to Auburn actually spend at Auburn.
- DHS has resolved all issues concerning the reimbursement of funds overcharged by the Floating Hospital. Recoupment will be completed by February 28, 2002.
- The Floating Hospital will submit monthly information to DHS that indicates the amount of Medicaid reimbursement it requested and the amount it received.

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**NEW YORK CITY HOUSING AUTHORITY (NYCHA)**

Audit of the Contract Tracking System, the Contract Administration Department System, and the Financial Management System of the New York City Housing Authority

Audit # 7A99-200A

Comptroller's Audit Library # 7142

Issued: December 15, 2000

Monetary Effect: None

**Introduction**

NYCHA developed two tracking systems to monitor work activities related to contracts, the Contract Tracking System (CTS) and the Contract Administration Department System (CAD). It purchased and installed a financial system, the Financial Management System (FMS), to process payments for contracts. This audit's objectives were to: determine whether the data stored in CTS, CAD and FMS are complete and accurate, verify whether computer operations are adequately secured to protect the data in these systems, and that a contingency plan exists and has been tested.

**Results**

Our audit found that although the data in the three systems are related and can be connected through the contract number, there is no reconciliation of the systems' data, resulting in dissimilar contract information. We also found there is no overall management oversight over the three systems, no full-time database administrator for the CTS and CAD systems, no supervisory review of error lists for CTS, and no documentation for interface (the point at which a connection is made between two systems so that they can work with one another) programs for the CTS, CAD, and FMS systems. Each NYCHA department is independent, and is allowed to promulgate its own departmental policies and procedures without any intervention by central management.

The audit made twenty-seven recommendations to NYCHA, including the following:

- Establish a steering committee to review and to appraise computer activities within the organization and ensure that duplicative systems that may not be cost-effective are not initiated or implemented.

- Provide an in-house function entitled Database Quality Administrator, to be the key individual responsible for the integrity of all applications. The administrator should be responsible to ensure that edits are performed on all input data and that rejected data is corrected and re-entered.
- Establish editing criteria for all fields in the existing CAD and FMS systems and the CTS system being developed.
- Standardize contract numbers agency-wide for EDP data input and identification.

We received a written response from NYCHA on November 9, 2000. NYCHA generally agreed to implement most of our recommendations and commented as follows:

"We would like to point out that based on an RFP, NYCHA has engaged KPMG to perform a technical assessment of all existing applications maintained by our System and Computer Services Department. Further, we have developed a comprehensive RFP for the replacement of all the existing FMS and Materials Management Systems with new integrated financial systems. We expect to release the RFP by the end of this month, and to make an award in March of 2001."

NYCHA disagreed with our findings regarding the lack of reconciliation between the three systems citing:

"As we repeatedly stated during the audit, at the Pre-exit Conference, and at the Exit Conference, our Financial Management System (FMS) is NOT integrated with, and was never intended to be integrated with, the Contract Administration Department System (CAD) and the Contract Tracking System (CTS). As such, as has been previously stated, we object to: inclusion of any findings and recommendations on CTS, an application no longer in use; and comparisons of data across applications, which were never designed to operate in, or be considered a part of an integrated whole."

### Update

NYCHA reported that 11 of the 27 recommendations have been fully implemented, and 10 recommendations have been partially implemented, including the following:

- During the first quarter of 2000, NYCHA established an executive level Steering Committee to review and appraise

all organization-wide strategic issues, to ensure that existing systems are not duplicated and that there are timely computer system updates and replacements of obsolete computer systems.

- During the second quarter of 2001, NYCHA created and filled a position for Manager of Quality Assurance, who is responsible for the integrity of all NYCHA applications.
- NYCHA has selected Oracle software as the core of its integrated Financial Management System, which will incorporate the core business systems, such as Accounts Payable, Accounts Receivable, General Ledger, Accounting, Budget, Treasury, Purchasing, and Inventory Distribution. The installation of this new system is expected to be completed in July 2003.
- NYCHA recently developed a business recovery plan and entered into a contract with IBM that includes a Disaster Recovery site at Sterling Forest, New York, for the AS/400 platform.
- NYCHA will develop software standards to document the interfaces between software and hardware components for all its applications by April 2002.
- NYCHA implemented a modification to the CAD system during December 2000 to ensure that after the Contract Administration Department processes a payment, no other entries for that specific payment are allowed.

NYCHA disagrees with and will not implement the remaining six recommendations.

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**DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT (HPD)**

Follow-up Audit Report of the Internal Controls for the New York City Department of Housing Preservation and Development Data Center

Audit # 7F01-066

Comptroller's Audit Library # 7154

Issued: January 22, 2001

Monetary Effect: None

**Introduction**

The Department of Housing Preservation and Development's (HPD) mission is to preserve, upgrade, and develop affordable and decent housing for residents of New York City. HPD rehabilitates private and City-owned buildings, and develops new housing through construction or rehabilitation of vacant buildings. HPD also provides housing for homeless families and individuals, and monitors and enforces residential housing code compliance. HPD used to maintain information for these functions on two IBM 4381 mainframe computers that were located in a data center in upper Manhattan. These two mainframes were moved, in September 1995, to DoITT's computer facility. HPD depends on DoITT's data center for operational support and security for various HPD application systems. For the most part, the computer applications supported by DoITT's data center are used by HPD's Code Enforcement Division, Office of the Property Management, and Housing Management Sales. HPD also has its own data center that is used to house its LAN and mid-range environments.

This follow-up audit determined whether HPD implemented the 18 recommendations made in a previous audit, entitled *Audit Report of the Internal Controls for the New York City Department of Housing Preservation and Development Data Center* (Audit # 7A95-086, issued on January 26, 1996).

**Results**

HPD has improved the physical security of its data center, but its system security still needs improvement. Specifically, HPD does not have adequate control over its password security. Furthermore, HPD does not have a formal detailed disaster contingency plan in place to ensure that agency business will not be materially interrupted in the event of a disaster. In addition, HPD does not have an

adequate fire suppression system nor does it have emergency lighting fixtures. Finally, HPD did not provide documentation showing that its program change procedures are being followed.

The audit made the following five recommendations to HPD. HPD should:

- Develop formal written physical security guidelines for the data center.
- Expedite the completion of its new operating environment to allow better system securities.
- Create a detailed formal written disaster contingency plan that includes a comprehensive disaster recovery procedure.
- Improve the Fire Suppression system and install emergency lighting system in the data center.
- Ensure that the program change procedure is properly enforced.

In its response, HPD generally agreed with the report's findings and recommendations.

### Update

HPD reported that it is implementing the audit's recommendations as follows:

- HPD developed security guidelines and distributed them to all building security staff during January 2001.
- HPD completed 70 per cent of a Windows 2000 desktop rollout that will include security enhancements, such as the desktop lockdown feature. The Windows 2000 desktop rollout will be completed by the middle of the first quarter of 2002. HPD will also implement a user password change policy after the Windows rollout has been completed.
- HPD plans to develop a disaster recovery plan after the Windows 2000 rollout is completed.
- HPD has improved the Fire Suppression system by installing a new fire suppression system, a fire detection system, an emergency lighting system, and an emergency-over-ride electrical switch.

- HPD has distributed a letter to ensure that the program change procedure is followed.

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**DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT (HPD)**

Audit Report on the Financial and Operating Practices of the Tenant Associations in HPD's Tenant Interim Lease Program

Audit # MG00-160A

Comptroller's Audit Library # 7182

Issued: March 22, 2001

Monetary Effect: None

**Introduction**

This audit analyzed the financial and operating practices of three Tenant Associations in the Department of Housing Preservation and Development's Tenant Interim Lease (TIL) program. The audit determined whether tenants in the apartments are the tenants of record; whether revenues and expenses are accurately reported; whether the internal controls are adequate; whether expenditures are reasonable and necessary; and whether HPD provides adequate supervision to ensure that the associations follow its guidelines.

HPD manages buildings that have been acquired by the City through tax foreclosure (in rem) actions. The TIL program is one of several HPD programs created to reduce the number of city-owned residential buildings. This program gives tenants in city-owned buildings a chance to manage and eventually buy the buildings from the City. As of February 2000, there were approximately 228 buildings in the TIL program. HPD surveys each building in the program, identifies what needs to be done, and prepares a cost estimate for the complete rehabilitation of the building. HPD spends on average \$55,000 to rehabilitate each apartment. After all renovations are completed, the tenants may buy the building as a cooperative for \$250 per apartment, if the Tenant Association has managed the building competently and 80 percent of the tenants agree.

**Results**

The three Tenant Associations violated federal tax regulations by not filing the required 1099-MISC forms with the Internal Revenue Service, and by not reporting payments



made to the officers for management fees, to independent contractors for repair work performed, or to attorneys for legal services.

Furthermore, the Tenant Associations did not effectively manage their finances by enforcing rent collection on the due dates. They allowed tenants to pay rent as late as the end of the month or in the subsequent month. They also did not deposit the rents promptly in their bank accounts.

In addition, HPD's monitoring of the Tenant Associations' financial reports is inadequate. HPD failed to monitor whether the Tenant Associations reported to the IRS the payments made to their officers, to independent contractors, and to lawyers.

This audit makes 15 recommendations, some of which are listed below:

HPD should ensure that the Tenant Associations:

- Promptly issue the 1099-MISC forms to all independent contractors who earn \$600 or more during a calendar year.
- Adhere to their bylaws and enforce timely collection of rent. Each Tenant Association should be encouraged to adopt a rent-collection policy that would address the problem of late-rent payments. This could include issuing late-rent notices to tenants, and imposing late fees.
- Deposit rents at least once a week, as required.

HPD should:

- Survey all the Tenant Associations in the TIL program to determine whether they are aware of and are following the applicable tax regulations and provisions of the disability-benefits law. In addition, HPD should remind the Tenant Associations through letters of their obligation to follow these requirements.
- Monitor the Tenant Associations more closely. HPD should review the monthly summary reports thoroughly, ensuring that important tax documents such as W-2s and 1099 MISC forms are properly completed and filed, and that all reported information is accurate.

- Establish written guidelines and procedures, including eligibility requirements, for its rent subsidy program.

HPD officials agreed with the audit's findings and recommendations, and either have implemented or will implement all 15 recommendations.

### Update

HPD reported that it has implemented the audit's recommendations, including the following:

- HPD has informed the tenant associations in writing of their obligation to follow the applicable tax regulations and disability laws. HPD also requested that each association submit proof of filing.
- HPD has distributed 1099-MISC forms to the tenant associations and instructed them to complete and submit these forms to the independent contractors, with copies to the IRS.
- HPD has reinforced in writing that tenant associations must deposit rents at least once a week and submit copies of the deposit slips with their monthly reports.
- HPD held two meetings with the accounting staff to discuss the findings in the audit and to ensure that each staff person is aware of the recommendations. HPD also requested that the tenant associations submit to HPD on a periodic basis proof of filing the appropriate tax forms.
- HPD has issued an interim lease to all three tenant associations.

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### **DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT (HPD)**

Follow-up Audit of the Department of Housing Preservation and Development's Efforts to Measure the Effectiveness of the Neighborhood Entrepreneurs Program

Audit # MJ01-097F

Comptroller's Audit Library # 7225

Issued: May 1, 2001

Monetary Effect: None

## Introduction

This follow-up audit determined whether the Department of Housing Preservation and Development (HPD) implemented six recommendations made in a previous audit entitled *Audit of the Department of Housing Preservation and Development's Efforts to Measure the Effectiveness of the Neighborhood Entrepreneurs Program* (Audit # MJ97-135A, issued June 26, 1997). That audit evaluated (1) the mission of the Neighborhood Entrepreneurs Program (NEP), (2) whether HPD had established performance indicators for NEP, and (3) whether those indicators could adequately measure NEP's effectiveness in meeting its mission. The previous audit: identified several weaknesses in HPD's efforts to measure the effectiveness of NEP; determined that HPD personnel responsible for overseeing the program had a good understanding of NEP; and stated the program appeared to be reducing the number of residential buildings owned and managed by the City, a HPD goal. However, HPD had not fully developed formal written administrative procedures, clearly defined the key milestones of the program, or identified targets for completion of various tasks in the program.

## Results

Of the six recommendations made in the previous audit, three were implemented and three were partially implemented. HPD has improved its oversight and tracking of NEP. As a result, HPD appears to be better equipped to meet the primary goal of returning City-owned residential buildings to private ownership. However, there is still room for improvement. HPD has still not established a measurable objective for NEP's goal of encouraging real estate activity. In addition, HPD's performance report does not include indicators that measure NEP's performance in meeting two of the program's goals: providing low and moderate income housing, and reestablishing real estate activity. Furthermore, HPD's performance report does not track sales to entrepreneurs, a key indicator in identifying the number of buildings that are returned to local ownership.

To address the conditions found in this audit, the report made three recommendations to HPD, specifically that it should:

- Develop and document specific objective(s) for NEP goal #3—reestablish healthy neighborhood-based real estate activity.

If HPD is unable to establish a measurable objective whereby it can ascertain its progress towards achieving this goal, the agency should consider eliminating it as an official goal of the program.

- Develop and report the effectiveness indicators for all of NEP's goals in its performance highlights report. For example, HPD could report the number of units occupied by low and moderate income tenants to demonstrate its effectiveness in meeting goal #1 (creating housing for low and moderate income tenants), and could report the number of units it sold to entrepreneurs in regards to goal #2 (returning rehabilitated buildings to local ownership).
- Work with the Mayor's Office of Operations to enhance the information contained in the Mayor's Management Report regarding NEP's performance. Specifically, the information should focus more on NEP's effectiveness in meeting its goals (e.g., the number of units sold to entrepreneurs).

In its response, HPD agreed with two of the audit's three recommendations. HPD disagreed with our recommendation that it enhance the information contained in the Mayor's Management Report regarding NEP's performance.

### Update

HPD reported that it has implemented the two recommendations that it agreed with, as follows:

- HPD agrees to remove from its performance highlights report NEP goal #3 as an official goal of the program because it is difficult to document and measure its specific objectives.
- HPD's performance highlights report now reports the number of buildings and units sold to the NEP Entrepreneurs.

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**HUMAN RESOURCES ADMINISTRATION (HRA)**

Audit Report of Computer Equipment Inventory On-Hand at the Human Resources Administration's Stockrooms

Audit # 7A00-155

Comptroller's Audit Library # 7240

Issued: May 30, 2001

Monetary Effect: Potential Revenue: \$111,134 (related to a claim to be filed against Time Record Storage Company for missing equipment)

**Introduction**

This audit determined whether the Human Resources Administration (HRA) maintained adequate control over its computer hardware and software stored in its stockrooms and in a warehouse managed by the Time Record Storage Company, a private organization under contract with HRA.

**Results**

HRA does not maintain perpetual inventory records at two of the three locations--the Eighth Avenue Stockroom, and the Water Street Stockroom--where computer equipment is stored. In other words, HRA does not adjust inventory records when items are received at or distributed from these locations so that, for all intents and purposes, HRA has no inventory control procedures to govern its stocked items. Instead, records are updated periodically, based on physical counts performed by HRA personnel. Consequently, our physical counts identified many pieces of equipment listed on the records that could not be accounted for, and certain equipment was found in the stockrooms but was not listed on the records. The most significant discrepancies were at the Eighth Avenue Stockroom, where 469 pieces of equipment listed on the inventory records could not be accounted for. Prices were found for 275 out of 469 items; the estimated value of the 275 items was \$314,912. Of equal concern, 1,027 items that were found during the count at the Eighth Avenue Stockroom were not listed on the records. Prices were determined for 680 of the 1,027 items; the estimated value of the 680 items was \$750,279. At the third storage location--the Time Record Storage Company's warehouse--perpetual inventory records are maintained. However, 97 Dell Computers valued at \$111,134 were listed on the records at this location, but could not be found.

The audit recommended that HRA:

- Create an inventory project team, reporting to the Commissioner, whose sole function would be to overhaul and to redesign HRA's inventory system, in accordance with DOI's "Standards for Inventory Control and Management" and with the New York City Comptroller's Directive #1. The ultimate goal would be an inventory control system that is: (1) accurate (i.e., records match on-hand balances); (2) timely (i.e., records are adjusted to immediately reflect disbursements/receipts); (3) useful (i.e., reorder points are defined and are realistic); and (4) encompassing (i.e., the system tracks items that are supposed to be tracked).
- Investigate the discrepancies identified in this report. HRA should maintain documentation showing how the discrepancies were resolved.
- Refer all significant and unresolved discrepancies to DOI for further investigation, if HRA has not already done so.
- Recoup the value of the missing 97 computers from the Time Record Storage Company.

HRA's response indicated that it generally agreed to implement the report's recommendations and stated: "the report has assisted us in our ongoing efforts to improve the operations of our agency." In addition, HRA officials stated that they will "ask HRA's Office of Legal Affairs to begin the legal process to recoup the replacement value of the computers."

**Update**

HRA did not provide follow-up information.

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**HUMAN RESOURCES ADMINISTRATION (HRA)**

Audit Report of Computer Equipment Installed at the Human Resources Administration

Audit # 7A01-101

Comptroller's Audit Library # 7298

Issued: June 29, 2001

Monetary Effect: None

## Introduction

This audit determined whether the Human Resources Administration (HRA) maintained adequate control over the computer hardware and software installed at its user locations.

## Results

HRA had not performed physical inventory counts of installed computers between 1995 and 2000; thus, HRA entered equipment information into an inventory database, but never checked to see whether the equipment was actually present in the locations specified. Consequently, an inventory review conducted by HRA personnel in February 2000 showed that 796 pieces of equipment worth \$931,397 were not found, even though all HRA sites had been visited. Similarly, an inventory count conducted by the Comptroller's Office during this audit could not account for nearly \$1.6 million in equipment purchased by HRA in calendar years 1999 and 2000.

Moreover, HRA's Inventory Database contained 650 duplicate inventory records; 1,232 items did not have proper serial numbers in the serial number (S/N) field; and approximately \$536,000 in equipment was not recorded on the inventory records.

The audit recommended that HRA:

- Create an inventory project team, reporting to the Commissioner, whose ultimate goal would be to ensure that the inventory control system for installed computer equipment is: (1) accurate (i.e., all installed computer equipment is accounted for); (2) timely (i.e., records are adjusted to immediately reflect receipts, transfers and relinquishments); and (3) all-encompassing (i.e., the system tracks all items that are supposed to be tracked).
- Refer all significant and unresolved discrepancies to DOI for further investigation, if HRA has not done so.
- Immediately assign more data entry personnel to enter the results of the physical inventory count.
- Include all Sun Microsystems equipment on the Inventory Database.

- Follow the existing procedures to ensure that all equipment records are accurately recorded.

HRA's response to the report stated that it "is in the process of updating the record keeping and has already identified and resolved \$1.2 million of the \$2.5 million difference." The response indicated that HRA generally agreed with the audit's recommendations.

**Update**

HRA did not provide follow-up information.

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**HUMAN RESOURCES ADMINISTRATION (HRA)**

Follow-up Audit Report of the Human Resources Administration Data Center

Audit # 7F01-099  
Comptroller's Audit Library # 7248  
Issued: June 7, 2001  
Monetary Effect: None

**Introduction**

This follow-up audit determined the implementation status of 17 recommendations made in a previous audit report of the Human Resources Administration (HRA) data center, *Audit Report of the Human Resources Administration Data Center, (Audit # 7A98-056, issued June 30, 1998)*. The prior audit focused on the data center's operation of HRA's IBM 4381 mainframe and found that security access and password controls were weak, program change controls needed improvement, and, there were inadequate controls over the tape library. The prior audit also revealed that HRA did not have a formal disaster recovery plan and an alternate power backup system for its data center. Consequently, the prior audit made 17 recommendations.

This follow-up audit also evaluated HRA's security access, and program change and tape library controls, and evaluated HRA's draft disaster recovery plan as well as its power supply backup system.



**Results**

Of the 17 recommendations from the prior report, 6 were implemented, 7 were not implemented, and 3 were partially implemented. One recommendation is no longer applicable. Specifically, recommendations made in the previous report regarding HRA's mainframe program change controls have been implemented. HRA updated its mainframe program change control procedures to reflect the current process. Change management information has been maintained both manually and electronically. The number of change management staff has been increased to ensure proper segregation of duties.

However, recommendations concerning access control, tape library controls and a disaster recovery plan have been either partially implemented or not implemented.

HRA has not completely deleted mainframe User IDs and passwords of ex-employees and those have not been used for more than one year. HRA does not have adequate control over its tape library. Its tape library procedure is obsolete and needs to be updated to reflect the current organizational structure. In addition, the audit noted that there is inappropriate segregation of duties in the tape library and that certain tapes/cartridges could not be accounted for. Regarding the backup systems, HRA has not completed the process of developing, implementing, and testing a formal disaster recovery plan to cover all areas of the data center.

As part of a citywide requirement, agencies planning to install an agency-wide Internet link must first submit their proposals to the Department of Investigation (DOI) for approval. HRA's Internet access plan proposal was approved by DOI on July 17, 2000.

To address the existing issues, we made 14 recommendations, including that HRA should complete a formal disaster recovery plan; develop a computer program to delete Users IDs for former HRA employees; delete User IDs that have not been used for at least one year; update its tape library procedures; maintain proper controls over the tapes/cartridges sent to the off-site vendor or outside organizations; and segregate the tape library operation duties from the computer operation duties.

HRA generally agreed with the audit findings, although it disagreed with the recommendation to develop a computer

program to delete former HRA employees' User IDs, and the recommendation to generate a separate report from the library inventory database that contains the number of new tapes/cartridges that have been initialized for future use.

**Update**

HRA did not provide follow-up information.

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**HUMAN RESOURCES ADMINISTRATION (HRA)**

Follow-up Audit Report on the Effectiveness of the Human Resources Administration's InfoLine in Providing Information to the Public

Audit # ME00-170F  
Comptroller's Audit Library # 7169  
Issued: February 27, 2001  
Monetary Effect: None

**Introduction**

This follow-up audit determined whether the Human Resources Administration (HRA) implemented the seven recommendations made in a previous report, *Audit Report on the Effectiveness of the Human Resources Administration's InfoLine in Providing Information to the Public* (Audit No. ME97-060A, issued May 9, 1997).

HRA's InfoLine is a telephone information and referral service that functions as a central access point for social service information to the general public. InfoLine directs callers to the appropriate government or not-for-profit service providers based on the services needed. It also provides information to callers about basic eligibility requirements for various services and how to apply for them.

**Results**

This follow-up audit revealed that HRA has improved its administration of the InfoLine. However, the current telephone system has a number of technical problems that degrade its performance. To resolve these technical problems, the agency plans to install a new telephone system. Of the seven recommendations made in the prior audit report,

the agency implemented three and partially implemented four. This follow-up audit identified three areas that need further improvement. Specifically, we found that:

- The average hold time that callers waited before speaking to an InfoLine agent was seven minutes.
- The system provided two conflicting messages regarding the hours that agents are available.
- InfoLine agents provided inaccurate referral information 23 percent of the time.

To address the conditions found in the follow-up audit, we made seven new recommendations. Specifically, HRA should:

- Expedite the installation of the new telephone system.
- Ensure that with the installation of the new system the InfoLine's automated attendant informs callers of the actual expected hold time.
- Ensure that with the installation of the new system the outgoing messages regarding the availability of InfoLine agents are consistent and reflect the actual hours that agents are available to answer calls.
- Institute a system to track changes and updates to the Gateway system.
- Develop written procedure for updating the Gateway system.
- Ensure that HRA's program heads notify InfoLine immediately of all changes to their services.
- For non-HRA services, the InfoLine should refer callers to the appropriate agency.

HRA generally agreed with the audit's findings, and agreed to implement all seven recommendations.

### Update

HRA reported that is implementing six audit recommendations, including the following:

- HRA has expedited installation of the new telephone system. The projected implementation date for the new system is March 2002.

- HRA's Management Information System has begun to update the Gateway system. This new system, which is scheduled to be completed in March 2002, will have the capability to track all changes and updates.
- HRA has established a Change Control Group that is responsible for overseeing the development of written procedures for updating the Gateway system.
- On August 31, 2001, HRA issued Procedure No. 01-15, HRA Telephone Policy Directive to ensure that all HRA programs and offices adopt specific internal controls with regard to the use of telephone equipment and to requests for new services and installation. The Procedure directs the responsibility centers to inform the Director of the Infoline of changes so that the Infoline can be updated.

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**HUMAN RESOURCES ADMINISTRATION (HRA)**

Compliance of Tolentine Zeiser's Paradise Residence With its Contract with the Human Resources Administration's Division of AIDS Services and Income Support

Audit # ME01-056A  
Comptroller's Audit Library # 7195  
Issued: April 3, 2001  
Monetary Effect: None

**Introduction**

The audit assessed the compliance of Tolentine Zeiser's Paradise Residence with its contract with the Human Resources Administration (HRA) to operate a transitional hotel for homeless persons with AIDS.

In 1994, HRA's Division of AIDS Services and Income Support (DASIS) awarded a contract to Tolentine Zeiser to provide transitional housing for homeless persons with AIDS at its Paradise Residence (Paradise), a facility in the Bronx. Paradise houses 58 single men and women at any one time in private rooms, and is required to provide these clients with various services, including counseling and referral services, medical services, advocacy for various benefits, and assistance in finding housing.

**Results**

Paradise was generally in compliance with the social service requirements of its contract, and provided a number of social services above and beyond the contract requirements. Paradise was also in compliance with the requirements of its contract regarding structural, sanitary, and safety conditions, and made diligent efforts to assist clients in finding permanent housing. However, Paradise needs to make improvements in the following areas: monitoring clients' health issues and clients' adherence to medication regimens; providing and documenting daily recreational activities; and providing social services such as referrals to substance-abuse counseling and training in independent living skills.

Although Paradise complied with several of the critical fiscal requirements of its contract, it failed to comply with some, such as bidding for purchases. Paradise also submitted requests for reimbursement for several expenditures that may have been inappropriate, failed to maintain an audit trail for some fund transfers between its account and Tolentine Zeiser's main account, and did not have adequate controls over its bookkeeping functions.

The audit identified a number of weaknesses on DASIS' part that ultimately interfered with Paradise's ability to serve its clients. Specifically, clients experienced delays caused by DASIS in securing permanent housing, and DASIS did not provide Paradise with feedback regarding case management after receiving incident reports. In addition, DASIS' oversight of Paradise's fiscal activities was inadequate, leading it to overlook errors, to possibly allow inappropriate expenditures, and to fail to provide Paradise with guidance in implementing needed internal controls. Moreover, extensive delays in registering Paradise's contract renewal have caused serious cash-flow problems for the organization. Delays in assisting clients with securing permanent housing and inadequate oversight of fiscal activities were also found in an audit of another transitional housing facility, indicating the need for some overall improvements at DASIS.

This audit made 30 recommendations to HRA's DASIS, some of which are listed below. DASIS should ensure that:

- Paradise monitors and documents the status of all clients' adherence to their medication regimens, and conducts and documents follow-up checks with clients suffering or complaining of medical ailments.
- Paradise provides and documents recreational activities for the clients on a daily basis.
- Paradise provides and documents on-site counseling and referrals to outside programs to address clients' substance-use issues.
- DASIS provides a forum in which the directors of the various contracted transitional housing facilities can share their experiences and ideas. DASIS should ensure that directors of exemplary facilities, such as Paradise, share successful practices with, and provide guidance to, the directors of other facilities.
- DASIS modifies the approval process for housing applications and improves its efficiency to ensure that clients are able to advance quickly in their search for permanent housing.
- DASIS communicates with Paradise after an incident is reported to ensure that appropriate actions are being taken to make any necessary recommendations regarding the client's case management and to apprise Paradise of any actions that DASIS is taking.
- Tolentine Zeiser obtains bids as required under the contract.
- Tolentine Zeiser maintains an audit trail for all fund transfers from or into the Paradise bank account.
- DASIS provides adequate oversight of, and guidance to, Paradise to ensure that all expenditures are appropriate and fully supported by documentation and that all appearances of impropriety are avoided. This should include periodically conducting desk audits of the supporting fiscal documentation maintained at Tolentine Zeiser.

HRA generally agreed with the report's findings and agreed to implement 28 of the report's 30 recommendations.

### Update

HRA reported that it has fully implemented 29 recommendations, including the following:

- On June 18, 2001, the Deputy Director of the HIV/AIDS Services Administration (HASA, formerly DASIS) Contracts Unit met with Tolentine's Executive Director and Program Director to discuss the audit. Tolentine has now assigned a staff person to work on Saturdays, to improve the timely completion of intakes.
- Tolentine's social service staff now provide and document on-site counseling and referrals made to outside programs.
- Tolentine is documenting the outcome of applications to secure health benefits made on behalf of clients.
- Case managers now monitor residents weekly to ensure their adherence to medications, and the nurse conducts a 30-day medical review.
- Tolentine staff records all recreational activities in a daily logbook.
- HASA revises its housing referral process as needed.

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**HUMAN RESOURCES ADMINISTRATION (HRA)**

Audit Report on the New York City Human Resources Administration's Grant Diversion Program

Audit # ME01-106A  
Comptroller's Audit Library # 7283  
Issued: June 26, 2001  
Monetary Effect: None

**Introduction**

The audit assessed employers' satisfaction with the Human Resources Administration's (HRA) grant diversion program and their willingness to agree to report to HRA on their long-term retention of grant diversion participants.

The grant diversion program is a welfare-to-work program administered by HRA's Business Link office, providing financial benefits to employers who hire public assistance recipients. Public assistance funds are diverted to employers who hire public assistance recipients and used to subsidize the employees' paychecks for up to six months. During fiscal year 2000, 2,883 public assistance recipients enrolled in the grant diversion program. HRA's grant

diversion subsidies usually range between \$250 and \$300 per month for each participant.

**Results**

HRA's grant diversion program is generally viewed favorably by participating employers. Most employers responding to our survey stated that they were satisfied with the program and indicated an interest in hiring more participants in the future. This satisfaction, together with generally positive retention rates, suggest that HRA should promote the grant diversion program more aggressively, as it is currently underused.

However, many of the employers also stated they had experienced problems with the grant diversion program. The grant diversion unit should be more active in its communication with participating employers to alleviate problems before they become a disincentive to participate in the program, and to ensure the continuous improvement of the program. HRA also should improve its administration of childcare benefits for participating public assistance recipients.

HRA does not track employers' long-term retention of grant diversion participants. Obtaining long-term retention data from those employers willing to provide it would enable HRA to better evaluate the success of the program, and to identify which employers provide the best employment opportunities for public assistance recipients.

HRA disagreed with 2 findings pertaining to communication with employers and to tracking employers' long-term retention of participants. HRA also disagreed with 3 of our 7 recommendations: that it increase promotion of the grant diversion program, inform participating employers of the roles of various HRA divisions, and request long-term retention data from participating employers.

HRA agreed to implement the other 4 recommendations: that it distribute the welfare-to-work guidebook to all participating employers and public assistance recipients; describe in the participant agreement how public assistance recipients can call the program unit directly about childcare or other problems related to the program; periodically survey participating employers to assess their satisfaction with the



program; and complete the implementation of the Automated Child Care Information System.

**Update**

HRA reported that it has implemented the recommendations it agreed with as follows:

- HRA has distributed the booklet, Leaving Public Assistance and Keeping Your Job.
- HRA's Grant Diversion unit has modified the existing Participant Statement of Understanding to read, "Public Assistance recipients may call the Grant Diversion Unit directly when they experience any childcare problems or any other problem specifically related to the Grant Diversion Program."
- HRA has developed a survey to elicit information from employers regarding their satisfaction with the program and to identify problems with the process.
- HRA has completed the implementation of the Automated Child Care Information System.

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**NEW YORK CITY COMMISSION ON HUMAN RIGHTS (CHR)**

Follow-up Audit of the New York City Commission on Human Right's Small Procurement and Vouchering Practices

Audit # MJ01-161F

Comptroller's Audit Library # 7229

Issued: May 18, 2001

Monetary Effect: None

**Introduction**

This follow-up audit determined whether the City Commission on Human Rights (CCHR) implemented 19 recommendations made in a previous audit entitled *Audit of the New York City Commission on Human Right's Small Procurement and Vouchering Practices* (Audit # FR95-165A, issued February 26, 1996). That audit evaluated whether CCHR complied with the Comptroller's Directives, the New York City Charter, the Procurement Policy Board Rules (PPB), and all other City policies and guidelines governing small procurement and vouchering practices for OTPS purchases, and verified the accuracy and propriety of payments that CCHR made to vendors for the OTPS purchases. The previous audit found numerous weaknesses in CCHR's controls over its procurement and vouchering practices. The audit revealed that 52 (65%) of the 80 payment vouchers sampled had deviations from approved practices, including using incorrect object codes, making purchases prior to encumbering funds, and not providing evidence of required competitive bidding.

**Results**

Of the 19 recommendations we made in the previous audit, one was not applicable, and one could not be implemented by CCHR. CCHR implemented all of the remaining 17 recommendations.

This follow-up audit revealed that CCHR's controls over its small procurement and vouchering practices had improved since the previous audit. CCHR properly encumbers agency funds in a timely manner; properly marks invoices as vouchered to ensure that there are no duplicate payments; and obtains proof of service or delivery of goods before it authorizes payments to vendors. Purchase orders specify the items or services CCHR intends to purchase, as well as the unit price. In addition, purchase orders are properly

approved prior to issuance. The agency ensures that invoice terms match the terms specified in purchase orders. Finally, there was no evidence that the agency artificially divided purchases to circumvent small purchase requirements.

Since there were no material weaknesses in CCHR's small procurement and vouchering practices, this follow-up report made no recommendations.

**Update:** Not Applicable

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**DEPARTMENT OF INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS  
(DOITT)**

Audit Report on the New York City Department of Information Technology and Telecommunications Operation of the City's Official Website, "NYC.GOV"

Audit #7A01-073

Comptroller's Audit Library # 7141

Issued: December 14, 2000

Monetary Effect: Not Applicable

**Introduction**

This audit determined whether DoITT's operation of the City's Web site, NYC.GOV is in accordance with DoITT's internal policies, and whether Web server access is adequately secured. We analyzed all relevant documentation relating to the operation, maintenance, and backup of NYC.GOV to assess DoITT's operation of NYC.GOV.

In addition, we analyzed DoITT's Internet Security plan to assess DoITT's Web server access security. This plan was the core component of DoITT's compliance report, required by the NYC Department of Investigation's Citywide Information Security Architecture, Formulation, and Enforcement unit.

**Results**

DoITT's operating policies and Internet Security plan are adequate:

- DoITT has established data processing policies and operational procedures for its staff to follow in support of its Internet operations. We concluded that the contents of those documents are comprehensive, operationally accurate, tested and effective, and that DoITT is operating in accordance with its internal policies.
- DoITT has an Internet Security plan, which was originally submitted to the NYC Department of Investigations in January 2000 for review by its Citywide Information Security Architecture, Formulation, and Enforcement (CISAFE) unit. CISAFE conducts "vulnerability assessments" of all City agency plans that consider a connection to the Internet. CISAFE reported its satisfaction with the security aspects of DoITT's plan in July 2000.

DoITT's Web infrastructure is adequate as designed. It meets DoITT's requirements for an Internet machine to host the NYC.GOV Website, an Intranet machine to provide the Web content to internal City users, a development machine for Web content design and Web applications development, a firewall server, a messaging server, a video server, an Internet intrusion monitoring device, and high-speed telecommunications lines.

DoITT's Internet security planning is adequate as demonstrated during a recent heightened period of computer hacker activity coinciding with a computer hackers' convention. DoITT's preparation for defensive actions against computer hacker attacks were directed by agency senior management, carried out by DoITT's professional staff, and supported by its pre-established list of security contacts.

However, we recommend that DoITT redesign its Internet server' failover provision from the current one machine backup coverage for the three primary servers (Internet, Intranet, and firewall servers) in the Web complex, to a failover system that can cover, at a minimum, the firewall server and one of the other two servers at the same time.

DoITT agreed with our recommendation and stated that it had migrated the Intranet server content to its mainframe computer environment, which made that server available, in the existing failover provision, for dedicated Internet server coverage. And, a new automated failover provision is anticipated to be installed by during early calendar year 2001.

### Update

DoITT reported that it completed the migration of the City's Intranet site to OS/390 mainframe (MVSP) environment and implemented two new automated failover servers in December 2001.

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**DEPARTMENT OF INVESTIGATION (DOI)**

Audit Report on the Department of Investigation's Payroll and Timekeeping Practices

Audit # FM01-122A

Comptroller's Audit Library # 7196

Issued: March 30, 2001

Monetary Effect: None

**Introduction**

This audit evaluated whether the Department of Investigation (DOI) had adequate controls over its timekeeping and payroll functions, whether all employees on the payroll were bona fide, and whether DOI accurately maintains employees' leave balances.

DOI assures integrity in City government through investigations and studies initiated by the Mayor, the City Council, or DOI's Commissioner, or resulting from complaints by the general public and City employees. DOI's Inspector General and investigative staff conduct criminal investigations into allegations of corruption and fraud perpetrated by City employees, contractors doing business with the City, and people receiving benefits from the City. In fiscal year 1999, DOI incurred expenditures totaling \$19.1 million, including \$15.4 million for personal services and \$3.7 million for other than personal services. As of July 2000, DOI had 360 employees in 47 divisions.

**Results**

Overall, DOI had proper internal controls in place over its timekeeping and payroll functions. Specifically, all employees were bona fide employees; only authorized employees had access to the Payroll Management System (PMS) database; DOI payroll distribution procedures ensured that paychecks and paystubs were properly disbursed and accounted for; and, DOI timekeeping policies and procedures assured that information contained on Requests for Authorized Leave, employee time sheets, Employee Time Reports (ETRs), and on the Payroll Management System, was consistent and reliable.

However, there were minor discrepancies in the timekeeping records for the period May 1 through July 31, 2000. Specifically, 43 hours of annual leave, sick leave, and

compensatory time were not appropriately entered on the Payroll Management System (PMS) leave balances.

The audit recommended that DOI instruct its timekeepers and timekeeping supervisors to exercise additional care when reviewing employee time sheets and transferring the information to ETRs and into PMS.

In response to the report, DOI's Deputy Commissioner for Management and Budget stated that the agency made the necessary adjustments to the time records based on the discrepancies noted in the report. In addition, he stated that the current procedures in place are sufficient to prevent significant timekeeping errors.

### Update

DOI reiterated that its current timekeeping procedures are sufficient and that the recommendation was not implemented.

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**DEPARTMENT OF JUVENILE JUSTICE (DJJ)**

Audit Report of the Department of Juvenile Justice's Data Center

Audit No. 7A01-146

Comptroller's Audit Library # 7287

Issued: June 27, 2001

Monetary Effect: None

**Introduction**

The Department of Juvenile Justice (DJJ) provides detention, aftercare, and delinquency prevention services to juveniles in New York City. Individuals detained in DJJ's facilities include alleged juvenile offenders, juvenile delinquents whose cases are pending, and those whose cases have been adjudicated and who await transfer to the State Office of Children and Family Services facilities.

This audit reviewed four of DJJ's data centers: the Central Office, in Manhattan; the Crossroads Juvenile Detention Center, in Brooklyn; and the Bridges Juvenile Detention Center and the Horizons Juvenile Detention Center, both in the Bronx.

This audit's objectives were to evaluate the adequacy of the controls in place at the DJJ data centers and to review DJJ's Internet Connectivity Plan.

**Results**

There were adequate physical controls at the DJJ data centers. However, there were weaknesses in two vital areas of the DJJ information-processing environment: DJJ terminals did not automatically disconnect users; and its computer systems did not generate audit trails. Other weaknesses in DJJ's operational controls included that: its information protection plan did not satisfy Comptroller's Directive 18 requirements; its environmental security was inadequate; there was no back-up generator at the Central Office data center; and none of DJJ's locations maintained records of on-site back-up tapes. Moreover DJJ's Internet Security Architecture Plan included no penetration-testing procedures.



This audit made seven recommendations to help improve system access and operational control weaknesses. DJJ management should:

- either reactivate the AUDITCON audit trail function on the agency's systems or acquire and employ another software package that generates audit trails of user activity;
- create policies, procedures, and standards that address all aspects of its information systems environment;
- strengthen its data center environmental security at all locations by installing an alternate fire-suppression system and humidity controllers;
- obtain a back-up generator for the Central Office;

With the exception of obtaining a backup generator for its Central Office, DJJ agreed to implement the report's recommendations. DJJ believes that the configuration of its wide area network obviates the need to obtain the recommended generator.

#### Update

DJJ reported that it is implementing the audit's recommendations, including the following:

- All users are forced off the network at midnight for two hours each night so that the backup systems can run at each site. After 30 minutes of inactivity, a workstation screensaver is activated that disables the computer so that it can be accessed again only by entering the user's login password.
- DJJ has ordered LT Auditor from Blue Lance, Inc., to generate audit trails of user activity.
- DJJ is currently working to upgrade its policies and procedures to address all aspects of its information systems environment in compliance with Directive 18.
- DJJ is investigating the purchase of cost-effective alternate fire-suppression systems and humidity controllers.
- DJJ has instituted logbooks and procedures for tracking backup tapes.

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**DEPARTMENT OF JUVENILE JUSTICE (DJJ)**

Audit Report on the Department of Juvenile Justice's Small Procurement and Vouchering Practices

Audit # MJ01-120A

Comptroller's Audit Library # 7242

Issued: June 1, 2001

Monetary Effect: None

**Introduction**

This audit determined whether the Department of Juvenile Justice (DJJ) complied with the Charter, Procurement Policy Board (PPB) rules, and applicable Comptroller's Directives governing small procurement and vouchering practices for Other Than Personal Services (OTPS) purchases. The audit covered the period July 1, 1999, to June 30, 2000.

DJJ spent \$72,210,532 for capital and non-capital OTPS in fiscal year 2000. Of this amount, \$3,481,699 was spent on "small procurements" consisting of: 1,266 purchases totaling \$2,540,043; 45 non-construction-related small purchases contracts totaling \$700,126; and 496 miscellaneous vouchers totaling \$241,530.

**Results**

In some areas, the Department of Juvenile Justice complied with PPB rules and Comptroller's Directives when processing small purchases, small contracts, and miscellaneous vouchers. Specifically, DJJ properly authorized purchases; prepared appropriate purchase documents; prepared purchase requisitions; and paid only those amounts indicated on invoices. However, there were a number of areas in which DJJ's small procurement practices did not comply with provisions of the PPB Rules and the Comptroller's Directives related to small purchases.

DJJ purchased various types of clothing totaling \$62,604 from two vendors by issuing eight purchase orders. These purchase orders were individually at, or under, the applicable small purchase threshold of \$25,000 for goods and services. However, when grouped by specific items ordered, by vendor, and by date issued, and added together, the purchase orders exceeded these limits. Therefore, these procurements should have been awarded through a competitive

sealed bidding process or other procurement method authorized by the PPB Rules.

Our review of the small procurement purchase orders that were at or below the \$2,500 level revealed two instances of artificially divided purchases. In these instances, DJJ split nine small purchases made from two vendors, totaling \$10,187. By not combining these purchases, DJJ circumvented the small purchasing requirements of § 3-08 of the PPB rules (the Small Purchase Rule) that states: "a procurement shall not be artificially divided in order to meet the requirements of this section."

Our examination of DJJ's records revealed that DJJ used incorrect object codes when purchasing goods and services. The use of the correct object code permits the agency to categorize the type and amount of a particular expense item within a fiscal year. This information is used to generate the year-end reports that identify expenditure patterns. We sampled 61 purchase orders and 24 miscellaneous vouchers that DJJ made in fiscal year 2000 and found that DJJ used incorrect object codes for 6 of them.

Eight of the 24 miscellaneous vouchers totaling \$2,382 issued by DJJ violated provisions of Comptroller's Directive #25. These vouchers were used to pay for items such as television sets, supplies, and other services for which payments should have been processed through purchase orders or the agency's imprest fund account.

The audit resulted in four recommendations, all of which are listed below. The Department of Juvenile Justice should:

- Stop artificially dividing procurements to keep the value of contracts under small purchase thresholds.
- Ensure that its staff uses correct object codes when recording purchase orders and miscellaneous vouchers.
- Ensure that miscellaneous vouchers are used only when appropriate.
- Ensure that it solicits bids from at least five suppliers (with a minimum of two responsive bids) for small purchases of \$2,500 or more, and that it maintains evidence of the solicitation in its purchasing files.

In its response, DJJ disagreed with two of the audit's findings regarding artificially divided purchases and the lack of evidence of bid solicitations in its purchasing files. Nevertheless, the agency stated that the audit will help the agency improve its purchasing process.

**Update**

DJJ reported that it is implementing all of the audit's recommendations.

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**OFFICE OF LABOR RELATIONS (OLR)**

Follow-up Audit Report of the Internal Controls for the Office of Labor Relations Computer Center

Audit # 7F01-139

Comptroller's Audit Library # 7261

Issued: June 13, 2001

Monetary Effect: None

**Introduction**

This follow-up audit determined whether the New York City Office of Labor Relations (OLR), Management Information System (MIS) Division implemented the 20 recommendations made in the previous audit, *Audit Report of the Internal Controls for the Office of Labor Relation's Computer Center* (Audit # 7A97-115, issued January 7, 1998), which evaluated the adequacy of the computer center's physical security, program change controls, computer operations, and backup/contingency plans to protect OLR's computer assets and information.

This audit examined the internal controls at two computer centers operated by OLR—one computer center that was covered during the prior audit, and a new computer center that was completed in 1999.

**Results**

Of the 20 recommendations in the prior report, 16 were fully implemented, 2 were partially implemented, and 2 were not implemented.

The 16 recommendations that were fully implemented pertained to: periodically changing keypunch access codes; shredding confidential documents; changing user passwords; documenting password requests; monitoring system access violations; monitoring network operations; controlling high level access to the systems; activating security features; improving the fire protection system; developing formal security guidelines; improving policies and procedures for canceling access of terminated employees; periodically testing back-up files; creating formal program change control procedures; maintaining documentation of system backups, off-site storage, and system problems; developing a comprehensive year 2000 plan and ensuring that a copy of the plan is on file with the Mayor's Office of Operations.

The two recommendations that were partially implemented pertained to periodically updating and testing the disaster contingency plan and including manual emergency procedures in the agency's policy and procedures manual.

The two recommendations that were not implemented pertained to installing an alarm system in the computer centers and incorporating an automatic system time-out function.

To address the unresolved issues, the report recommended that OLR:

- Install an alarm system in the computer centers that would alert computer center personnel to possible unauthorized access.
- Periodically test the contingency plan and ensure that a copy is kept off-site.
- Incorporate time-out function software throughout the network that can be controlled only by MIS.
- Include the emergency procedures for system shutdown, backup, and recovery operations in the agency's policy and procedures manual for LAN operations.

OLR agreed with two of the four recommendations made in this report. Specifically, OLR stated that it will continue to search for time-out software that is compatible with their LANs, and that it will incorporate its emergency procedures for system shutdown, back-up, and recovery into its policies and procedures manual. The two recommendations that OLR disagreed with pertained to: installing an alarm system in the computer centers; and periodically testing its contingency plan and storing it at an off-site location.

### Update

OLR reported that it has implemented or will implement the following recommendations:

- OLR has installed a video monitoring surveillance system that records all activity around the computer centers, hallways, and elevators. In addition, all visitors must sign in and present some form of identification in the lobby and on the floors.

- OLR LAN will incorporate time-out function software once the server is upgraded to Windows 2000.
- OLR has included the emergency procedures of system shutdown, backup, and recovery operations in the agency's policy and procedures manual for LAN operations.

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**LANDMARKS PRESERVATION COMMISSION (LPC)**

Audit of Payroll and Timekeeping Practices at the Landmarks Preservation Commission

Audit # MH01-117A

Comptroller's Audit Library # 7257

Issued: June 12, 2001

Monetary Effect: None

**Introduction**

In 1965, a New York City Local Law established the Landmarks Preservation Commission (LPC) in response to New Yorkers' desire to protect the city's architectural, historical and cultural heritage. LPC identifies and designates city buildings, properties, or objects as landmarks. LPC regulates any changes made to these properties to protect them.

The objective of the audit was to determine whether LPC complied with applicable regulations governing timekeeping and payroll procedures, as set forth in Comptroller's Directive #13, and New York City leave regulations for managerial and non-managerial employees.

The audit reviewed timekeeping documentation and procedures. The audit examined daily sign-in logs and the weekly timesheets for all employees for one biweekly payroll period, identified excess annual and expired compensatory leave balances and calculated the financial effects of not transferring such balances to sick leave balances as required.

**Results**

Although LPC generally adhered to applicable City regulations, there were some weaknesses in its internal controls in several areas including unexplained variations between the hours recorded on employee time sheets and the daily attendance log. In addition, eleven LPC employees accumulated annual leave balances that exceeded the maximum amount allowable under the leave regulations. The City would have incurred an additional expense of approximately \$70,000 if these LPC employees with excess annual leave balances had left the employ of the City. Furthermore, five LPC employees did not use their compensatory leave time within the



allowable four-month time period. The City would have incurred an additional expense of approximately \$22,600 if these employees had left the employ of the City. Other findings reported on undocumented sick leave occurrences, the lack of written pre-authorizations for various types of leave use and compensatory time earned and the lack of adequate separation of duties in its payroll and timekeeping functions.

This audit made eight recommendations to improve compliance with timekeeping and payroll regulations, among them that LPC should:

- Remind its employees to enter the information in their weekly time sheets consistent with the information entered in the daily attendance log, and periodically compare the information entered in both sets of records, bringing inconsistencies to the attention of the appropriate supervisor.
- Monitor leave balances and instruct employees who accumulate excess annual leave or compensatory time to either obtain the appropriate authorization or transfer the excesses to the employee's sick leave balance.
- Require its employees to provide medical documentation for sick leave occurrences, and use reports available under CHRMS to monitor undocumented sick leave use.
- Require its employees to document pre-authorizations for the use of annual leave or compensatory time as well as the pre-authorizations for earning compensatory time.

In its response, LPC agreed with six of the audit's recommendations. However, LPC did not agree to require pre-authorization in writing for overtime work since the Citywide Agreement does not state it. LPC also disagreed to explore ways to segregate its timekeeping and payroll functions because their agency is too small.

### Update

LPC reported that it has implemented all of the audit's recommendations that it agreed with.

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**METROPOLITAN TRANSPORTATION AUTHORITY (MTA)**

Audit Report on the Metropolitan Transportation Authority's Maintenance of Long Island Rail Road Stations within the City

Audit #FN00-174A

Comptroller's Audit Library # 7164

Issued: February 22, 2001

Monetary Effect: None

**Introduction**

The Metropolitan Transportation Authority (MTA) was created in 1965 by the State of New York to maintain and to improve commuter transportation and related services within the Metropolitan Transportation Commuter District. Chapter 415, Section 1277, of the New York State Public Authorities Law of 1966 (NYSPAL), requires that each local governmental unit reimburse the MTA for the costs of operating, maintaining, and using commuter passenger stations within their boundaries.

This audit verified whether the Long Island Rail Road (LIRR) maintained its 26 stations within the City's boundaries in a clean and safe condition; corrected unsafe and unsanitary conditions at those stations identified in the previous report; and provided maintenance services for these stations in accordance with LIRR's standards and procedures. Prior audits examined MTA's claim for reimbursement for costs associated with the maintenance, use, and operation of LIRR's City Stations to verify whether the costs were reasonable, accurate, and allowed under Chapter 415, Section 1277 of NYSPAL. This audit did not review such billings since in June 2000, the New York State Legislature amended Section 1277 of the NYSPAL. The amendment provided for a fixed bill, which will be adjusted annually. MTA's bill for both LIRR's and Metro-North Railroad's City Stations for the period April 1, 1999 to March 31, 2000, totaled \$61,435,330.

**Results**

Twelve of LIRR's 26 City Stations were not properly maintained and had conditions in need of repair. Many of these conditions were also noted in the prior audit. Of these 12 stations, four—Broadway, East New York, Murray Hill, and Rosedale—were the most poorly maintained, and had potentially hazardous conditions that included uneven,

cracked, and crumbling cement; damaged steps on staircases; and loose metal plates on station platforms.

In addition, LIRR did not always follow its guidelines for inspecting and maintaining its City Stations. LIRR did not inspect the Broadway Station annually—it was last inspected in October 1998—in accordance with its guidelines. LIRR did not correct problem conditions noted during its inspections of certain City Stations. According to LIRR inspection reports: on October 14, 1998, the Broadway Station was cited for peeling paint in the waiting room and damaged cement on the platform; on April 14, 1999, the Long Island City Station was cited in an inspection report for broken asphalt at the track crossing and missing passenger safety warning indicators; and on October 8, 1999, the Murray Hill Station was cited in an inspection report for chipped and broken steps on platform staircases. During the audit's inspections of these stations in June and September of 2000, these conditions still existed.

Furthermore, LIRR did not adhere to its station-painting guidelines, which require that stations be painted once every two to five years, depending on daily ridership. Twelve stations were not painted as frequently as required by the guidelines. The Broadway Station, which should have been painted every four years, had not been painted since 1995. The Jamaica Station should have been painted in 1999, but was only partially painted in 2000.

Finally, unlike those for other City Stations, LIRR's cleaning schedules for the Murray Hill and East New York Stations did not contain specific instructions on what was to be cleaned, and sections of the Broadway Station were not included on the cleaning schedule.

The report recommended that LIRR inspect all City Stations annually, ensure that conditions identified during its inspections and identified during the audit are corrected, and ensure that the City stations are painted in accordance with regulations.

LIRR officials agreed with the report's recommendations. In that regard, LIRR officials stated that it has upgraded its cleaning schedules, that certain conditions have been remedied, and that the remaining repairs would be made within a specified period of time.

Update

LIRR reported that it is implementing the audit's recommendations, including the following:

- The interior and exterior sections, and the staircases of the Broadway station are being renovated. The renovations are expected to be completed by the end of 2002.
- In 2000, LIRR had repaired the staircases of the East New York Station. However, vandals stole the covers and damaged the concrete stairs. LIRR is currently replacing missing signs with a quality of material less susceptible to vandalism.
- The Murray Hill station has undergone temporary repairs of both the platform and staircases. The Quick Response Team is removing graffiti.

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**METROPOLITAN TRANSPORTATION AUTHORITY**

Audit Report on the Metropolitan Transportation Authority's Maintenance of Metro-North Railroad Stations within the City

Audit # FN00-175A  
 Comptroller's Audit Library # 7170  
 Issued: February 27, 2001  
 Monetary Effect: None

Introduction

The Metropolitan Transportation Authority (MTA) was created in 1965 by the State of New York to maintain and to improve commuter transportation and related services within the Metropolitan Transportation Commuter District. Chapter 415, § 1277, of the New York State Public Authorities Law of 1966 (NYSPAL), requires that each local governmental unit reimburse the MTA for the costs of operating, maintaining, and using commuter passenger stations within their boundaries.

This audit verified whether the Metro-North Railroad (Metro-North) maintained its 14 stations within the City's boundaries in a clean and safe condition; corrected unsafe and unsanitary conditions at those stations identified in the previous report; and provided maintenance services for these

stations in accordance with Metro-North's standards and procedures. Prior audits examined MTA's claim for reimbursement for costs associated with the maintenance, use, and operation of Metro-North's City Stations to verify whether the costs were reasonable, accurate, and allowed under Chapter 415, § 1277 of NYSPAL. This audit did not review such billings since in June 2000, the New York State Legislature amended § 1277 of the NYSPAL. The amendment provided for a fixed bill, which will be adjusted annually. MTA's fixed bill for both Metro North's and Long Island Rail Road's City Stations for the period April 1, 1999 to March 31, 2000, totaled \$61,435,330.

### **Results**

Two of Metro-North's 14 City Stations—Harlem-125<sup>th</sup> Street and Botanical Garden Stations—were free of problems. Seven stations—Grand Central Terminal, Marble Hill, Morris Heights, Melrose, Spuyten Duyvil, Williams Bridge, and Woodlawn—were in good condition, with only little or minor problems. However, five other stations—Tremont, Fordham, University Heights, Wakefield, and Riverdale—were not properly maintained, and had potentially hazardous conditions that included missing third-rail caps and covers; raised metal expansion plates; uneven, cracked and crumbling cement; and deteriorated steps and staircases.

Moreover, Metro-North did not always follow its guidelines for inspecting and maintaining its City Stations. Conditions noted during Metro-North's inspections at the University Heights, Riverdale, Tremont, and Wakefield Stations as far back as January 1999 were never corrected. Specifically, on January 25, 1999, Metro-North inspectors cited the University Heights Station for having cracked and crumbling concrete, and the Riverdale Station for having a deteriorated staircase requiring immediate repair or replacement. On July 26, 1999, Metro-North inspectors cited the Tremont Station for needing its staircases upgraded, repaired, or replaced, for crumbling concrete on its platform, and for large rocks falling from a retaining wall, and on July 27, 1999, Metro-North inspectors cited the Wakefield Station for significant deterioration on the southbound staircase and platform conditions in need of immediate repair. During the audit's inspections of these stations in June and September of 2000, these conditions still existed.

The report recommended that Metro-North correct all unsafe and dangerous conditions immediately, repair the platforms, stairways, and other deteriorated structures identified in this report, clean and remove the graffiti and debris identified in this report, and ensure that conditions identified by its inspectors are promptly corrected.

Metro-North's response stated that it regularly inspects all facilities, that the repairs of unsafe conditions are corrected immediately, and that other repairs are scheduled for correction by the Track and Structures Department at outlying stations or by Grand Central terminal building maintenance at Grand Central. In addition, Metro-North's response discussed the steps that were or will be taken to address the poor station conditions cited in the report.

### Update

Metro-North Railroad reported that it is implementing the audit's recommendations, including the following:

- All City Stations are scheduled for capital reconstruction as part of its capital program. Work is scheduled to begin at Hudson Line Stations-at Morris Heights in Spring 2002, Spuyten Duyvil in March 2002, Riverdale in October 2002, and Morris Heights, University Heights, and Marble Hill in Spring 2003.
- The Structures Department, in response to inspections or reports of station conditions, is making temporary repairs, such as patching of platform surfaces and holes at stations with severely deteriorated station platforms.
- The Power Department inspects the third rail system on the main line in the Bronx quarterly. Repairs to third rail conditions are made in response to inspections as well as in response to reports of station conditions requiring repairs. The Station Services and the Structures Department remove graffiti at stations and in station areas.

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**MULTI-AGENCY**

New York City Department of Information Technology and Telecommunication (DoITT), Law Department, Department of Probation, Department of Juvenile Justice, and the Office of the Criminal Justice Coordinator

Audit Report on the Development of the Comprehensive Justice Information System (CJIS)

Audit # 7A01-098

Comptroller's Audit Library # 7300

Issued: June 29, 2001

Monetary Effect: None

**Introduction**

This audit determined whether the Comprehensive Justice Information System (CJIS), as a finished product, meets the users' needs, permits future enhancements and upgrades, and satisfies specific user requirements.

**Results**

The base CJIS package was installed in October 1999 and is currently tracking Family Court events (intake, trial, etc.). It has an integrated database that allows access to shared information, and its security functions restrict access to privileged information, such as sealed court cases.

However, users are not satisfied with CJIS because of problems with INSLAW's contract, which does not clearly define the deliverables as characterized in the user-requirement proposal. INSLAW did not complete all of its assigned tasks as stated in the contract. An independent quality assurance (QA) consultant was not employed to monitor and review the receipt of deliverables.

Consequently, CJIS itself is difficult to use, and CJIS computer programs do not function properly. Many features requested by users were not included, and poor data conversion and insufficient testing caused numerous duplicate records on the system. Moreover, program change control procedures require improvement.

To address these issues, the Department of Information Technology and Telecommunications (DoITT), in conjunction

with the Law Department, the Department of Probation, and the Department of Juvenile Justice, should:

- Hire and train additional personnel and form a project team to address system problems.
- Eliminate all duplicate records on the system.
- Require that programmers document all changes on the CJIS source code.
- Assemble a project team consisting of user and technical personnel, headed by a full-time project manager who will ensure that all necessary system requirements are identified and implemented.

In its response on behalf of all the agencies, DoITT stated, "Your objective of auditing a 'finished project' was premature as Phase 2 planning is in progress. Additionally, your finding that INSLAW, the vendor that provided the CJIS system, did 'not complete all of its assigned tasks as stated in the contract' is incorrect as each deliverable was reviewed and approved by DoITT, the Department of Probation, the Department of Juvenile Justice, and the Law Department prior to payment." Nevertheless, DoITT responded that all system problems identified in this report have been addressed.

### Update

DoITT reported that two recommendations have been fully implemented and two partially implemented, as follows:

- The system problems and enhancements have been addressed in bi-weekly meetings with representatives from each agency. As of January 2002, more than 200 problems or changes have been recorded, and 8 changes remain. However, DoITT believes that the one analyst and one programmer assigned to CJIS are sufficient.
- The agencies review and delete duplicate records.
- Programmers document all changes on the CJIS code.
- The agencies have reviewed and compiled the requirements to Phase 2 and are determining whether or not to proceed.

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**MULTI-AGENCY**

Audit of the Policies and Procedures of the Board of Education and the School Construction Authority for Performing School Construction Work

Audit # EW99-163A

Comptroller's Audit Library # 7234

Issued: March 12, 2001

Monetary Effect: Potential Savings: \$279,998

**Introduction**

The audit determined whether the Board of Education (Board) and the School Construction Authority (SCA) adhered to their policies and procedures and other relevant State and City regulations for carrying out school construction work. The audit covered the Board's five-year plan for fiscal years 1995 through 1999, and 10 new construction projects and 20 capital improvement projects with contract amounts totaling approximately \$233.2 million.

**Results**

While the Board's original five-year plan generally contained the information required under New York State Education Law, the plan was not amended regularly. Project cost estimates often did not reflect specific project conditions, and the plan did not assign priorities to specific projects.

Three of the 20 capital-improvement project sites required work that was not included in SCA's original scope of work. As a result, certain work was delayed, extra costs were incurred, and hazardous conditions went unabated.

There were certain deficiencies in the modular construction process that was used to expedite completion of classroom space. Specifically, SCA permitted material substitutions without consulting the Board and allowed a \$125,000 work-scope change without adjusting the contract price. Furthermore certain modular construction projects did not meet SCA's existing fire-resistance, and certain other, design standards and specifications.

Although SCA has procedures for determining when substantial completion of projects occurs, it did not always follow those procedures. In addition, there was a lack of communication between the Board and SCA regarding substantially completed projects.

SCA did not issue credit change orders totaling \$154,998 for work not performed. Moreover, SCA did not always provide cost estimates for "punch-list" work. These and other examples demonstrated a need for an oversight function that would strengthen SCA's controls over its payment process.

Recommendations to the Board included that it:

- Amend its five-year capital plan in accordance with the requirements of the State Education Law.
- Ensure that the plan prioritizes projects to be performed and that it contains cost estimates that reflect specific project conditions.
- Work in conjunction with SCA to ensure that original work scopes on capital projects include all necessary items.

Recommendations to SCA included that it:

- Consult with the Board before approving significant substitutions to material and construction standards.
- Seek to recover from contractors, \$125,000 in cost savings for a work-scope change, and \$154,998 in credit change orders for work not performed. The total of these items is \$279,998.
- Ensure that modular construction conforms to its design standards and specifications.
- Review all of its design standards to ensure that they are consistent with New York City Building Code requirements.
- Consider establishing a position similar to that of an engineering audit officer to ensure that payments are adequately monitored.

SCA disagreed with one recommendation, to consult with the Board before approving significant material and construction standards. It agreed with one recommendation, to ensure that only approved materials be used on its

projects. Although SCA did not specifically indicate whether it agreed with the other recommendations, SCA described steps it has taken and procedures it has in place, or has recently implemented, to address our recommendations.

The Board stated that it has implemented our recommendation related to amending its five-year capital plan, and that it partially implemented two recommendations related to prioritizing projects and responding to SCA's notices of substantial completion. In addition, the Board stated that by July 1, 2001, it will implement recommendations related to assigning liaisons to major capital improvement projects. The Board disagreed with our recommendation that it ensure that original work scopes include all necessary items.

### Update

The Board reported that it has implemented the following three recommendations:

- The Board has amended its five-year capital plan in accordance with the State Education Law.
- The Board now assigns Project Liaisons to all Line Projects. These liaisons monitor construction progress, acting on behalf of the Board's school and district staff, and coordinates the close-out and acceptance of construction work from SCA or the Department of Design and Construction.
- The Office of Capital Administration of the Board's Division of School Facilities responds to SCA Notices of Substantial Completion.

The Board reported that it has partially implemented the recommendation to prioritize projects.

In response to recommendation #11, the SCA provided a revised "Procedure No. PM-11: Project Close-out/Project Transfer."

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### **MULTI-AGENCY**

Audit Report on the Reconstruction of Firehouse Apparatus Floors by the Fire Department and the Department of Design and Construction

Audit # EW00-162A

Comptroller's Audit Library # 7265

Issued: June 15, 2001

Monetary Effect: None

## Introduction

The audit determined whether the New York City Fire Department (FD) had an effective program for reconstructing apparatus floors upon which fire vehicles are parked, and whether the Department of Design and Construction (DDC) carried out the program on time, cost-effectively, and at satisfactory levels of quality. We reviewed FD's 1995 floor-reconstruction program, and investigated how current floor conditions compared to those indicated in a 1994 survey. In addition, we examined all 12 floor-reconstruction projects completed by DDC in fiscal years 1999 through 2001.

## Results

FD's floor reconstruction program is behind schedule by two to four years and has exceeded its \$10.97 million originally estimated cost by \$3.73 million. Specifically, only 18 of the 31 floors scheduled to be completed to date have been reconstructed. In addition, FD did not update its 1995 program, and did not have a plan to reconstruct floors after 2003, when the 1995 program was scheduled to be completed. The program was not updated until we met with FD officials in May 2001. Although FD envisions that it will have initiated all floor reconstructions by 2014, we believe that it may not complete reconstructing all the floors until 2023.

FD did not conduct an engineering assessment of the condition of the floors since they were last surveyed, even though 19 of 31 sampled floors have deteriorated further. Moreover, temporary shoring supporting the floors has not been maintained.

DDC carried out work on 12 reconstruction projects in fiscal years 1999 through 2001 with satisfactory levels of quality and craftsmanship. The first six projects were not completed on time, and had cost overruns of between 15 and 46 percent. However, DDC completed the six most recent reconstructions in only three months.

Recommendations to FD included that it:

- Create a new floor reconstruction plan for the remainder of floors, based on the conditions we found.

- Ensure that reconstruction work is scheduled so that DDC can carry out design, procurement, and construction in a timely manner.
- Coordinate its floor reconstruction plans with other firehouse rehabilitation work.
- Ensure that floors are periodically inspected and rated, and that floors that we rated as priority "1" are reconstructed as expeditiously as possible.
- Conduct annual inspections of temporary shoring.

Recommendations to DDC included that it:

- Analyze results of its use of job-order contracting to determine if this contracting method should be used for future floor reconstruction projects.
- Inform FD of DDC's design and procurement cycles.
- Require that adequate surveys of existing conditions and field measurements be taken prior to design work.

FD generally disagreed with our findings and recommendations, although it did agree that its program is two years late. FD's updated plan indicates that reconstruction of floors we rated as priority "1" will be completed in the near future. In addition, FD stated that funding has been requested for an independent engineer to review conditions, re-certify existing shoring, and provide a scope of work for corrective work if necessary.

DDC generally agreed with our audit findings and recommendations.

### Update

DDC reported that it considers all recommendations implemented.

FD reported that its floor reconstruction plan is current and accurate. FD continues to agree that there is a need for FD to schedule work so that DDC can complete the reconstruction in a timely manner. FD also coordinates all work in a firehouse with emphasis on public safety. FD Operations will determine how work should be allocated in order not to jeopardize public safety.

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**MULTI-AGENCY**

Audit Report on All City Agencies' Vouchers for Postage that Were In Violation of the Comptroller's Audit Closing Instructions for Fiscal Year 2000

Audit # MG01-154A  
Comptroller's Audit Library # 7275  
Issued: June 22, 2001  
Monetary Effect: None

**Introduction**

The audit determined whether any City agencies violated the *Audit Closing Instructions for the Fiscal Year Ending June 30, 2000*, which state: "Expenditures for postage, including postal meters and stamps should only be charged to FY 2000 if the expenditure applies to items purchased (stamps) or meter amounts increased by June 30, 2000."

Each fiscal year the Comptroller's Office prepares year-end audit closing instructions. These were established to ensure the City's compliance with Generally Accepted Accounting Principles (GAAP), so that the financial information included in the *Comprehensive Annual Financial Report* (CAFR), issued annually by the City Comptroller, consistently and accurately reports the City's finances in accordance with GAAP. The year-end audit closing instructions require that goods and services must be received by June 30<sup>th</sup> of the fiscal year if the expenditure is to be charged to that fiscal year.

In four prior audits of postage vouchers, covering fiscal years 1996, 1997, 1998, and 1999, we reported that many City agencies were not in compliance with the Comptroller's year-end closing instructions.

**Results**

During fiscal year 2000, 19 of the 138 City agencies covered by our audit violated the Comptroller's *Audit Closing Instructions for the Fiscal Year Ending June 30, 2000* through the inappropriate use of postage vouchers. These agencies prepared 87 vouchers for postage, totaling approximately \$337,561, during fiscal year 2000. They received their checks either during fiscal year 2000 or early in fiscal year 2001; however, some of the checks were not cashed until months into

fiscal year 2001. Moreover, 4 of the 19 City agencies submitted 66 of those vouchers, totaling \$270,675, using budget object codes other than code #117, the City's designated budget object code for postage.

Of the 19 agencies that violated the Comptroller's *Audit Closing Instructions for the Fiscal Year Ending June 30, 2000*, 17 had also violated the closing instructions for fiscal years 1996, 1997, 1998, or 1999. Those agencies had previously been informed that they were in violation and that they were not to use funds from one fiscal year to purchase postage in the next fiscal year.

This report makes five recommendations, including that the Chief Financial Officer of each of the 19 agencies should:

- Distribute copies of the Comptroller's year-end closing instructions to all agency purchasing personnel.
- Develop internal controls designed to prevent agency personnel from inappropriately rolling funds over between fiscal years.
- Immediately cease the practice of purchasing postage in any fiscal year with funds from the previous fiscal year.

Of the 19 agencies that responded, 18 generally agreed with the recommendations, while not all directly addressing each of the five recommendations in an implementation plan. Those 18 agencies either stated that they had already implemented the recommendations or that they were in the process of implementing them.

**Update:** Not Applicable

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#### **AUDITS OF MANAGERIAL LUMP SUM PAYMENTS**

Monetary Effect: Actual Savings:      \$375,660.95

The Audit Bureau pre-audits lump sum payments to employees covered by the Management Pay Plan upon their final separation from City employment.

The employees covered by this plan receive a lump sum payment for accrued annual leave, sick leave, and overtime.

The payment is calculated in accordance with Personnel Orders 16/74, 78/3, 24/77, 78/9, 88/5, and 99/6. Employees, who were in the Managerial or Executive Pay Plan on December 31, 1977, were given vested rights for their previously accrued annual leave, sick leave, and overtime. After January 1, 1978, the plan became the Management Pay Plan.

The Management Pay Plan covers five categories of employees who are paid in accordance with the appropriate Personnel Orders covering their time balances.

Upon final separation from service, each employee's agency submits a lump sum payment claim to the Comptroller for pre-audit.

These pre-audits resulted in a net decrease totaling \$375,660.91 on all lump sum claims submitted by agencies in fiscal year 2001, as follows:

Total number of claims in fiscal year 2001	387
Total amount of agency-prepared lump sum claims	\$8,851,630.07
Total amount of lump sum claims approved for payment	\$8,475,969.12
Claims correctly prepared by the agency	142
Claims reduced during pre-audit	184
Claims increased during pre-audit	61
Claims denied	0
Total dollar value of agency overpayments, before pre-audit	\$ 437,245.22
Total dollar value of agency underpayments, before pre-audit	\$ 61,584.27
Net Decrease resulting from pre-audit	\$ 375,660.95

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**AUDITS OF WELFARE FUND PAYMENTS**

Monetary Effect: Actual savings: \$624,694  
Potential savings: \$2,256,165

The Bureau of Financial Audit ensures that agencies are in compliance with provisions contained in more than 600 agreements between the City and various unions, covering welfare and annuity benefits for active and retired employees.

Copies of all payment vouchers are submitted to the Comptroller by City agencies in accordance with Comptroller's Directive 8 (Special Audit Procedures on High Risk Vouchers). The payments are reviewed to ensure that they conform to the terms and conditions of all agreements, Office of Labor Relations (OLR) stipulations, Personnel Orders, Office of Collective Bargaining decisions, etc. Audits have revealed the following types of errors:

- Contributions made in error for unauthorized titles
- Contributions made for retirees prior to their actual retirement date
- Duplicate payments for a title or a group of titles under two different agreements

During fiscal year 2001 4,822 vouchers totaling over \$644 million were audited, with these results:

	Number of Vouchers	Amount
Total Number of Vouchers Audited:	4,822	\$644,940,582
Vouchers Accepted:	3,878	\$451,204,800
Vouchers Not Accepted:	944	\$193,735,782
Overpayments:		\$ 3,127,047
Underpayment:		\$ 367,348

Collections during fiscal year 2001 totaled \$624,694. Of this amount, \$121,160 was for overpayments identified in the previous fiscal year, but not collected until the current fiscal year. Agencies recouped this amount either by check from the appropriate fund or by deducting the overpayment from subsequent payment vouchers.

**REVIEW OF SUBSIDY PAYMENTS TO LIBRARIES**

Monetary Effect: None

The City provides monthly subsidies to the three public library systems - Brooklyn, New York, and Queens - under an obligation plan approved by the Office of Management and Budget. In order to ensure that the City does not advance excessive funds to those institutions, their monthly expenditure reports are monitored and monthly advances reduced when necessary.

In fiscal year 2000, monthly advances were accurate and therefore no reductions were necessary.

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**OFF-TRACK BETTING CORPORATION (OTB)**

Follow-up Audit Report on the New York City Off-Track Betting Corporation Department of Information Technology

Audit # 7F01-069

Comptroller's Audit Library # 7150

Issued: January 4, 2001

Monetary Effect: None

**Introduction**

This follow-up audit determined whether the New York City Off-Track Betting Corporation (OTB) has implemented recommendations made in an earlier audit, *Audit Report on the New York City Off-Track Betting Corporation Department of Information Technology* (Audit No.7A98-060, issued June 5, 1998). The earlier audit evaluated OTB's year 2000 readiness; assessed its implementation of computer systems and projects; reviewed its data processing operations and controls; and evaluated its disaster recovery and backup systems. In this follow-up, we evaluated OTB's progress in implementing the earlier audit's recommendations. We also reviewed OTB's Internet control system to determine whether OTB has proper security controls over its Internet connectivity.

**Results**

OTB has implemented 9 and partially implemented 5 of the 14 recommendations that were made in the previous audit. In addition, we made three new recommendations pertaining to OTB's Internet connectivity.

OTB has successfully addressed Y2K issues; established the Help Desk function and policy; developed a policy to provide PC training for LAN users; segregated the system administration duties from the application maintenance duties; and updated its agency and ITech policies to reflect changes in the computer environment. However, OTB still lacks proper segregation of duties due to understaffing; the computer inventory control system and inventory policies still need improvement; and OTB's Disaster Recovery Plan still lacks detailed backup procedures, and has not been fully tested.

OTB has an agency policy concerning Internet use and that its firewall and routers adequately isolate its internal

information resources from the public network. However, OTB lacks a formal training program for Internet users and a Firewall Log Viewer function to identify Internet traffic on a real-time basis.

To address any remaining issues related to our previous audit's recommendations, as well as the additional findings based on our current review of OTB's Internet connectivity, we now recommend that OTB:

- Reallocate, train, or hire people to implement proper segregation of duties so that the systems administration function is separate from the telecommunication security function (T1 line, firewalls, and routers) and so that the database administration function is separate from the application development, implementation, and maintenance functions.
- Improve the existing computer inventory policy.
- Keep formal records of user requests (including e-mails) for computer equipment.
- Prepare receiving reports upon the receipt of computer equipment from the vendor.
- Add the purchase order numbers and the invoice order numbers of delivered equipment to the inventory database.
- Prepare a formal report documenting the changes to the recorded inventory records based on the actual annual inventory count.
- Improve the existing Disaster Recovery Plan.
- Expand the capability of backup site facilities to cover all mission-critical applications under the backup system and regularly perform backup system tests.
- Prepare training materials and establish seminars for Internet users.
- Attach a workstation to the Firewall that will serve as a Log Viewer and will monitor incoming traffic from the Internet on a real-time basis.

OTB agreed with all of the ten recommendations and stated that it was already in the process of implementing them.

Update

OTB reported that it has fully implemented five recommendations as follows:

- The Vice President of IT is maintaining formal records of user requests, including e-mails for computer equipment.
- OTB prepares receiving reports upon receipt of computer equipment from each vendor.
- OTB has added purchase order numbers and invoice numbers of delivered equipment to the inventory database.
- OTB has installed a workstation to the Firewall. The workstation is now receiving real-time Firewall information.

The remaining recommendations are in process of implementation.

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**DEPARTMENT OF PARKS AND RECREATION (DPR)**

Audit Report on the Funds Raised by the New York City Department of Parks and Recreation's Urban Park Service Division Maintained by the City Parks Foundation July 1, 1997, through June 30, 1999

Audit #FM00-171A

Comptroller's Audit Library # 7241

Issued: May 3, 2001

Monetary Effect: None

**Introduction**

This audit determined whether New York City Department of Parks and Recreation's (Parks) Urban Park Service Division (Division) appropriately raised, accurately accounted for, and maintained adequate controls over private funds. The audit covered the period July 1, 1997, through June 30, 1999, and is the first of four reports in connection with the private funds raised by Parks and maintained by the City Parks Foundation (Foundation).

The Division's mission is to protect City parklands and educate the public about City parks. In addition to the funds the Division received from the City, it raised private funds totaling \$68,679 in fiscal year 1998 and \$179,551 in fiscal year 1999 that were maintained by the Foundation. At Parks' direction, the Foundation disbursed \$68,682 in fiscal year 1998 and \$150,021 in fiscal year 1999.

**Results**

The Division inappropriately deposited--with the Foundation instead of the City Treasury--funds raised through the efforts of City employees, using City resources, and instructed sponsors of events to label payments for security service reimbursements as "donations." Furthermore, at the direction of the Division, the Foundation paid certain Division expenses from those funds. By diverting those funds to the Foundation, the Division bypassed City oversight of Parks expenditures.

In addition, the Foundation did not have adequate internal controls over the processing, recording, and reporting of Division funds held by the Foundation.

The audit made the following recommendations:

Parks should:

- Request an opinion from the City's Law Department, if it does not already have one, establishing the legality of: a) charging fees to individuals or organizations for providing Division security at events; b) defining such fees as "donations"; c) forwarding the fees or donations to the Foundation, rather than depositing them in the City Treasury.
- Cease the Division's practice of forwarding to the Foundation monies collected for security services, sponsored events, and solicited grants. Instead, these funds should be deposited into the City Treasury.
- Ensure that all fund balances and assets managed by the Foundation on behalf of the Division are transferred onto the City's books and records.

The Foundation should:

- Cease accepting monies from the Division that are collected for security services, sponsored events, and grants.
- Forward all balances and assets it manages on behalf of the Division to Parks' Budget Office.

Parks officials generally agreed with the findings and recommendations of the report. While they did not agree to deposit grants and donations into the City Treasury, they indicated that these funds would no longer be deposited in Foundation accounts. In contrast, Foundation officials agreed with the findings and stated that they would comply with the report's recommendations.

### Update

Parks reported that it has implemented the following recommendations:

- The Division deposits fees and reimbursements in the City Treasury.
- Parks is waiting for a decision from Corporation Counsel to determine whether all fund balances and assets managed by

the Foundation should be transferred to the City Treasury. Parks stated that many of the grants contain restrictions limiting them to private foundations, therefore the City Treasury is unable to receive these funds.

The Foundation reported that it has implemented the recommendations as follows:

- Monies from the Urban Park Service Division are no longer accepted.
- All balances and assets managed by the Foundation have been forwarded to the Parks Budget Office.

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#### **DEPARTMENT OF PARKS AND RECREATION (DPR)**

Audit Report on the Funds Raised by the New York City Department of Parks and Recreation's Tree Trust Program Maintained by the City Parks Foundation July 1, 1997, through June 30, 1999

Audit #FM01-165A

Comptroller's Audit Library # 7292

Issued: June 28, 2001

Monetary Effect: None

#### **Introduction**

This audit determined whether New York City Department of Parks and Recreation's (Parks) Tree Trust Program (Tree Trust) appropriately raised, accurately accounted for, and maintained adequate controls over private funds raised. This audit covered the period July 1, 1998, through June 30, 1999, and is the second of four reports related to the private funds raised by Parks and maintained by the City Parks Foundation (Foundation).

Parks established the Tree Trust in 1994 to protect, preserve, and enhance city trees. In fiscal year 1999, the ending fund balance for the Tree Trust accounts totaled approximately \$1.1 million. During this period the Tree Trust raised \$669,332 and expended \$583,612.



## Results

The Tree Trust inappropriately deposited—with the Foundation instead of the City Treasury—funds raised through the efforts of City employees using City resources. In addition, the Tree Trust inappropriately withheld tree-removal permits from contractors until "donations" were made to the Foundation in apparent violation of the City's Administrative Code.

The Foundation did not have adequate internal controls over the processing, recording, and reporting of Tree Trust funds held by the Foundation. Finally, Parks officials inappropriately arranged a salary and commission agreement when it hired the former Tree Trust's Director of Fund Raising. This unusual compensation arrangement constitutes a clear violation of several provisions of Chapter 68 of the NYC Charter.

This report recommended that Parks:

- Require that all Tree Trust proceeds be deposited in the City Treasury; and all Tree Trust funds on deposit with the Foundation should be transferred to the City Treasury.
- Cease the practice of withholding Tree Removal Permits as a means of urging contractors to make donations to the Foundation.
- Adhere to Title 18 of the Administrative Code when individuals or organizations seek permits for the removal of trees; and require that these individuals or organizations obtain a bond to ensure that all trees are replaced.
- Discontinue the practice of entering into incentive agreements with its personnel.

The report also recommended that the Foundation:

- Cease accepting monies from the Tree Trust.
- Forward all balances it manages on behalf of the Tree Trust to Parks's Budget Office.

Parks and Foundation officials generally agreed with the findings and recommendations. However, Parks believes that the report's finding regarding withholding tree permits is

misleading and that this practice was never agency policy. Parks officials claim that the examples mentioned in the report were the result of over- zealous employees not following proper procedures.

### Update

DPR reported that it is implementing the following recommendations:

- As of September 2001, no Tree Trust funds will be deposited in Foundation accounts.
- DPR will follow appropriate government regulations when entering into incentive agreements with its personnel.

The Foundation reported that it has implemented one of the recommendations, and is in the process of implementing the second, as follows:

- Monies from the Tree Trust are no longer accepted.
- All balances managed by the Foundation on behalf of the Tree Trust will be forwarded to the Parks Budget Office by the end of February, 2002.

DPR partially agreed with one recommendation that concerned adhering to Title 18 of the Administrative Code when individuals or organizations seek permits for the removal of trees. DPR also maintains that it has never been its policy to withhold permits to secure donations.

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**KINGS COUNTY PUBLIC ADMINISTRATOR'S OFFICE (KCPA)**

Follow-up Audit of the Financial and Operating Practices of the Kings County Public Administrator's Office

Audit # FP00-092F

Comptroller's Audit Library # 7162

Issued: February 8, 2001

Monetary Effect: Actual Revenue \$969,191

**Introduction**

This follow-up audit determined whether the Kings County Public Administrator's Office (KCPA) implemented the 34 recommendations made in a previous audit report (FP96-136A; issued June 27, 1997). The prior audit evaluated KCPA's compliance with its own internal procedures, Comptroller's Directives, and other City and State laws, policies, and guidelines, including the City's Procurement Policy Board Rules, the Payroll Management System guidelines, and Article 11 of New York State's Surrogate's Court Procedure Act (SCPA).

KCPA's budget was \$409,138-including \$396,689 for PS and \$12,449 for OTPS for fiscal year 1999. On June 30, 1999, KCPA employed 11 City employees, including the Public Administrator and Deputy Public Administrator as well as four non-City employees.

**Results**

KCPA has implemented 19 of the 34 earlier recommendations and partially implemented three recommendations. Four recommendations were no longer applicable, and two recommendations could not be implemented. The remaining six recommendations were not implemented.

The 19 recommendations that were implemented pertain to implementing effective accounting procedures; restricting access to computer files; properly reporting "1099" earnings; not using "suspense funds" to pay employees for performing their regular duties; voiding uncashed estate distribution checks; issuing pre-numbered checks sequentially; safeguarding estate bank accounts; ensuring that all suspense account deposits conform to guidelines for Public Administrators; transferring \$11,422 from the suspense account to the "Police Department/Nursing Home" account;

documenting administrative fee calculations; consulting with the Surrogate's Court and other appropriate law enforcement agencies regarding instances of fraud or illegal acts; not using a City employee as a chauffeur; maintaining formal time and leave records for the agency head; complying with Comptroller's Directive #13 (guidelines for payroll); monitoring employees' sick leave usage more carefully; and obtaining copies of the City's purchasing guidelines.

The three recommendations that were partially implemented pertain to properly reconciling bank accounts; maintaining complete personnel files; and, returning \$8,762 to seven estates.

The six recommendations that were not implemented pertain to the disposition of funds not linked to specific estates on KCPA's records; calculating and distributing the proper amount of interest related to the PD/NH account; determining the City's liability for KCPA's failure to file Form 1099-Misc statements; and, consulting with the Administrative Board to determine the proper disposition of \$3,335 from closed accounts.

Five of the six recommendations that were considered not implemented related to the disposition of funds not linked to specific estates. However, KCPA officials remitted these funds totaling \$969,191, to the City's Department of Finance, as a result of this audit.

In addition, this new audit found that KCPA credited estate accounts with excess interest and that the accounting firm hired by KCPA prepared unnecessary and inaccurate estate tax returns, and overcharged for tax preparation services. The audit made nine recommendations to address the unresolved issues from the prior audit and the new issues disclosed during this audit.

In its response, the KCPA agreed to implement or indicated that it will consider implementing four recommendations, it did not address another four recommendations, and disagreed with one of the recommendations made in this report.

### Update

KCPA reported that it has fully implemented seven recommendations, including:

- KCPA is issuing 1099s to all entities requiring them.
- KCPA has submitted and received fingerprint cards for all suspense employees which show no negative information.
- KCPA has sent letters to the distributees requesting payment. To date, these funds have not been recovered.

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**BROOKLYN PUBLIC LIBRARY (THE LIBRARY)**

Follow-up Audit of the Financial and Operating Practices of the  
Brooklyn Public Library

Audit #MD01-071F

Comptroller's Audit Library # 7246

Issued: June 6, 2001

Monetary Effect: None

**Introduction**

This is a follow-up audit to determine whether the Brooklyn Public Library (the Library) implemented the 19 recommendations made in an earlier audit, *Audit Report on the Financial and Operating Practices of the Brooklyn Public Library* (Audit No. FM95-072A, issued June 27, 1996). The earlier audit examined the Library's expenditures against City appropriations to determine whether they were authorized, properly expended, fairly stated, and necessary for the day-to-day operations of the Library.

The previous audit reported there were several weaknesses attributable to a lack of organizational procedures and guidelines that resulted in inconsistencies within various areas of the Library's operations. Specifically, in fiscal years 1989 through 1994, the Library inappropriately recorded in its Corporate account approximately \$6.3 million in City appropriations and book-fine revenues. The Library had an inadequate accounts payable system, and inadequate procurement policies and procedures. Moreover, the Library's purchasing records disclosed that City funds had been used to pay for personal purchases made by the Board of Trustees' President, the former Director of the Library, and the Director of Facilities Management/Risk Control.

**Results**

The Library has vastly improved its financial and operational practices since our previous audit. The Library implemented 14 of the 19 recommendations made in the June 20, 1996, audit report that dealt primarily with the co-mingling of its financial records, its inadequate accounting system, its controls over the use of its tax-exempt certificate, and its lack of procurement policies and procedures.

The Library and the Office of Management and Budget (OMB) did not implement the 5 recommendations concerning the Library's development of a written cost-allocation plan that specifies expenses to be paid with City funds and that requires an explanation of any deviation from the cost allocation plan. The Library and OMB also did not take steps to update the agreement between the City and the Library. Finally, OMB did not conduct an annual review of the Library's book-fine revenues.

To address the issues noted in this report that are related to our previous audit recommendations, the Library and OMB should implement the five recommendations that include the following.

The Library and OMB should:

- Ensure that their officials meet to establish a cost-allocation plan that would predetermine specific expense items that should be charged to City accounts and those specific expense items that should be charged to Corporate accounts.
- Ensure that their officials, together with the Mayor's Office of Operations, seek to amend and update the 1903 agreement with the City. The new agreement should more clearly define each party's duties, obligations, and responsibilities. In addition, the Comptroller's audit authority should include full and detailed access to all Library records.

In addition, during this follow-up audit we noted certain weaknesses with the Library's control over disbursements made with fine revenues and its compliance with its own procurement policies and procedures. We also questioned the accuracy of certain year-end accruals posted to the Library's general ledger. To address these issues, five recommendations were made, including the following:

The Library should ensure that:

- Book-fine revenue is used to purchase books and book-related materials.
- It reviews year-end accruals to ensure they are accurate.
- It adheres to its purchasing and disbursement requirements.

Library and OMB officials generally agreed with the audit findings and recommendations except for the recommendation concerning amending the Library's agreement with New York City. They reiterated the responses that were given to the June 27, 1996, audit report.

Library officials stated: "BPL continues to maintain that it is unnecessary to change in any way its existing agreement with New York City."

In addition, OMB officials responded, stating: "As stated in 1996, OMB continues to believe that the existing long-term agreement between the City and the Libraries do not need to be updated."

### Update

The Brooklyn Public Library reported that it is implementing the following recommendations:

- Book-fine revenue will be spent only for the purchase of materials, material-related supplies, and to cover costs associated with the collection of fines.
- Ernst & Young has certified that the Library satisfactorily follows generally accepted accounting procedures.
- The Library provides OMB periodic spending reports relating to the annual spending plan submitted by the Library for use of New York City funds.

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**THE NEW YORK PUBLIC LIBRARY (NYPL)**

Follow-up Audit on the Financial Operating Practices of the New York Public Library

Audit # ME01-077F

Comptroller's Audit Library # 7296

Issued: June 29, 2001

Monetary Effect: None

**Introduction**

This follow-up audit determined the implementation status of 33 recommendations made to the New York Public Library (NYPL) in a previous audit, *Audit Report on the Financial Operating Practices of the New York Public Library, July 1, 1991 to June 30, 1994* (Audit No. FM95-073A, issued June 27, 1996).

The previous audit revealed that NYPL recorded approximately \$10.8 million collected from fines and fees and book sales—revenue derived from books purchased with City funds—as a Corporate receipt instead of as a City receipt. NYPL used \$77,674 in City funds for expenses not related to NYPL's maintenance and operations. Also, NYPL did not: take advantage of discounts offered by vendors; always obtain the required number of bids for purchases; and ensure that petty cash expenditures and credit card purchases were adequately supported. Lastly, NYPL did not receive credits from vendors for returned merchandise, totaling \$1,542.

**Results**

Of the 33 recommendations made in the previous audit, NYPL implemented 10, partially implemented 9, and did not implement the remaining 14 recommendations. Specifically, NYPL properly allocated between City and non-City funds revenues derived from book fines, fees, and sales; compared invoices to purchase orders; and ensured that all purchase orders contained the appropriate signatures. However, NYPL did not: adequately segregate petty cash responsibilities; use available vendor discounts; obtain bids; and ensure adequate documentation for cash advances and credit card purchases. In addition, NYPL inappropriately used City funds to pay a \$10,000 annual fee for the use of an off-site cafeteria.

The audit also identified several new issues. Specifically, NYPL did not always maintain receiving reports and purchase orders on file, inappropriately charged \$5,504 in travel expenses to the City Fund, and made minor errors in its financial statements.

Since NYPL officials made a policy decision to only partially implement 9 of the 33 recommendations made in the previous audit, we did not repeat them. However, since the 14 recommendations that were not implemented represented important internal controls for City funds, they were repeated in this audit, along with three new ones, including the following, NYPL should:

- Ensure that the person receiving reimbursement for petty cash expenses not be the person authorizing the reimbursement;
- Not use City funds to pay for employee use of off-site cafeterias and credit the City fund for payments, totaling \$10,000, already made;
- Take advantage of all discounts offered by vendors;
- Ensure that it follows its purchasing procedures regarding competitive bidding for all purchases;
- Ensure that receipts are presented to the Accounting Department to document cash advances and credit card use;
- Credit the City fund for \$5,504 that was improperly charged for payments of travel expenditures for non-Library employees; and
- Ensure that expenses are recorded properly and are charged to the appropriate fiscal year.

NYPL officials generally agreed with the audit's findings and recommendations. Even though they disagreed with the audit's position that charging City funds for the use of an off-site cafeteria is improper, they stated that future such payments would be charged to a non-City fund, and that the City fund would be credited for the payments cited in the report.

### Update

NYPL reported that it is implementing the audit's recommendations, including the following:

- The Branch Librarian, with guidance from the Library regulations, will continue to determine the appropriate charging of petty cash expenses.
- NYPL has reversed the charge for \$10,000 against City tax levy funds in fiscal year 2001 and will use non-City funds in the future.
- NYPL will make every effort to take advantage of available discounts.
- NYPL is currently updating purchasing procedures. This is expected to be completed by June 2002.
- NYPL procedures require that receipts be attached to check requests for cash advances and credit card bills.
- In fiscal year 2001, NYPL credited the City fund for \$5,404 that was improperly charged.
- NYPL's Accounting Department sends a memo to all departments in the Library annually, reminding them that all expenses and revenues should be recorded in the appropriate fiscal year.

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**QUEENS BOROUGH PUBLIC LIBRARY (QBPL)**

Follow-up Audit Report on the Financial and Operating Practices  
of the Queens Borough Public Library

Audit # FM01-129F

Comptroller's Audit Library # 7277

Issued: June 22, 2001

Monetary Effect: None

**Introduction**

This follow-up audit determined the implementation status of 11 recommendations made to the Queens Borough Public Library (QBPL) and the Office of Management and Budget (OMB) in a previous audit, *Audit Report on the Financial Operating Practices of the Queens Borough Public Library* (Audit No. FM95-071A, issued October 7, 1996).

The previous audit found that: QBPL's Corporate Fund balance included \$7.9 million of book fines, library fees, and interest income that should have been recorded in the Fines and Fees Fund and the City Fund; discretionary expenditures were charged to the City Fund and Fines and Fees Fund; the City lost \$212,824 in interest income because of QBPL's delay in reimbursing the City for money advances; and QBPL did not adhere to its purchasing policies and procedures in regard to obtaining the minimum number of price quotes and using vendors from an approved vendor list.

**Results**

Of the 11 recommendations made in the previous audit, 3 were implemented, and 2 were no longer applicable. QBPL and OMB officials made a policy decision not to implement the remaining 6 recommendations. Therefore, this audit did not repeat them since it would serve no purpose to do so.

QBPL used the \$6.5 million in settlement funds appropriately; has adequate internal controls over the collection of fines and fees, non-book purchases and payments; properly accounted for the fines and fees collected; and ensured that its financial statements with regard to the City Fund and Fines and Fees Fund were fairly stated.

The audit noted, however, that QBPL charged \$647,292 in "Fund Raising and Development" expenditures to the Fines and Fees Fund, and charged \$2,684 in these expenses to the City Fund during fiscal years 1999 and 2000. The audit questioned the appropriateness of charging these Funds for such costs since the resulting donations received were earmarked for activities of the Queens Library Foundation and QBPL's Corporate Fund. In addition, the audit identified two minor errors in QBPL's financial records.

The audit made the following three new recommendations. QBPL should:

- As soon as fiscally feasible and appropriate, transfer \$647,292 from the Corporate Fund to the Fines and Fees Fund, and \$2,684 from the Corporate Fund to the City Fund.
- In the future, charge fund raising expenditures to the Foundation and the Corporate Fund instead of the Fines and Fees Fund and City Fund.
- Ensure that revenues and expenses are recorded accurately on its financial statements.

QBPL officials did not agree to transfer the \$647,292 from the Corporate Fund to the Fines and Fees Fund, and \$2,684 from Corporate Fund to the City Fund. However, they did agree not to charge future fund raising expenditures to the Fines and Fees Fund and the City Fund, and agreed to ensure that revenues and expenses are recorded accurately on the financial statements.

**Update**

QBPL reported that it had completed actions necessary to implement the three audit recommendations.

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**RETIREMENT SYSTEMS**

NYC Board of Education Non-Pedagogical Pensioners Working for the City After Their Retirement

Audit # FL00-202A

Comptroller's Audit Library # 7171

Issued: February 28, 2001

Monetary Effect: Potential Savings: \$3,129

**Introduction**

This audit determined whether any NYC Board of Education Retirement System (BERS) non-pedagogical retirees were illegally re-employed ("double-dipping" or "disability violating"), and quantified the amounts of any improper pension payments to individuals who appeared to be violators of RSSL § 211 and § 212, or NYC Charter § 1117, during calendar year 1999.

**Results**

Two of the 44 matched BERS pensioners who received W-2s (greater than \$15,500) from the City in 1999, obtained \$3,129 in pension payments that appeared to be in violation of applicable laws and regulations. The audit recommended that BERS should:

- Investigate the individuals identified as concurrently receiving a pension and being re-employed in public service. BERS officials should also commence prompt recoupment action against these individuals if they are found to be illegally collecting pensions, and ensure that continuing violations do not occur.
- Forward to the Department of Investigation, where the circumstances warrant such action, the names of these individuals if they are found to be illegally collecting pensions.

This audit and similar audits of the other four retirement systems (Fire Department Pension Fund - FL00-203A; New York City Employees' Retirement System - FL00-204A; Police Department Pension Fund - FL00-205A; and Teachers' Retirement System - FL00-206A), identified the following problems regarding City pensioners being re-employed by the City.

- Inadequate or lack of monitoring of City pensioners re-employed by the City; and
- Failure by City agencies to ensure that City retirees comply with State and City laws regarding public service re-employment.

BERS officials agreed to implement the audit's recommendations.

**Update**

BERS did not provide follow-up information.

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**NYC EMPLOYEES' RETIREMENT SYSTEM (NYCERS)**

NYCERS Pensioners Working for the City After Their Retirement

Audit # FL00-204A

Comptroller's Audit Library # 7212

Issued: April 24, 2001

Monetary Effect: Actual Savings: \$20,838

Potential Savings: \$ 299

**Introduction**

This audit determined whether any NYC Employees' Retirement System (NYCERS) retirees were illegally re-employed ("double-dipping" or "disability violating"), and quantified the amounts of any improper pension payments to individuals who appeared to be violators of RSSL § 211 and § 212, or NYC Charter § 1117, during calendar year 1999.

**Results**

Three NYCERS retirees of the 543 matched NYCERS pensioners who received W-2s from the City in 1999 obtained \$21,137 in pension payments that appeared to be in violation of applicable laws and regulations.

This audit and similar audits of the other four retirement systems (Board of Education Retirement System - FL00-202A; Fire Department Pension Fund - FL00-203A; Police Department Pension Fund - FL00-205A; and Teachers' Retirement System - FL00-206A), identified the following problems regarding City pensioners being re-employed by the City.

- Inadequate or lack of monitoring of City pensioners re-employed by the City; and
- Failure by City agencies to ensure that City retirees comply with State and City laws regarding public service re-employment.

NYCERS officials either agreed to comply or stated that they were already in the process of complying with the audit's six audit recommendations.

### Update

NYCERS reported that it is implementing the following recommendations:

- NYCERS investigated the three pensioners cited in the audit and has recouped \$20,838. These individuals are disability retirees in violation of NYC Charter § 1117.
- NYCERS will refer to the Department of Investigation all cases that involve individuals who continue to be illegally re-employed.
- Prior pension payments cited in the previous audits have either been recouped or are in the process of being investigated.
- NYCERS sent a special notice regarding re-employment after retirement to all pensioners in September 2001.
- The present NYCERS monitoring program includes the payrolls of New York City and all the Public Benefit Corporations. NYCERS receives New York State payroll information from the Comptroller's Office.

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### **RETIREMENT SYSTEMS**

NYC Fire Department Pensioners Working for the City After Their Retirement

Audit # FL00-203A

Comptroller's Audit Library # 7172

Issued: February 28, 2001

Monetary Effect: Potential Savings: \$51,330



Introduction

The audit determined whether any NYC Fire Department Pension Fund (FIRE) retirees were illegally re-employed ("double-dipping" or "disability violating"), and quantified the amounts of any improper pension payments to individuals who appeared to be violators of RSSL § 211 and § 212, or NYC Charter § 1117, during calendar year 1999.

Results

Three of the 17 matched FIRE pensioners who received W-2s (greater than \$15,500) from the City in 1999, obtained \$51,330 in pension payments that appeared to be in violation of applicable laws and regulations. The improper pension payments are as follows:

Sections 211/212 Violators (Service Retirees)	1	\$ 3,914
Section 1117 Violators (Disability Retirees)	<u>2</u>	<u>47,416</u>
Total	<u>3</u>	<u>\$ 51,330</u>

This audit and similar audits of the other four retirement systems (Board of Education Retirement System - FL00-202A; New York City Employees' Retirement System - FL00-204A; Police Department Pension Fund - FL00-205A; Teachers' Retirement System - FL00-206A), identified the following problems regarding City pensioners being re-employed by the City.

- Inadequate or lack of monitoring of City pensioners re-employed by the City; and
- Failure by City agencies to ensure that City retirees comply with State and City laws regarding public service re-employment.

The report made six recommendations to FIRE. In their response, FIRE officials agreed with four of the six recommendations related to: investigating individuals who are receiving pensions while being re-employed in public service; forwarding to the Department of Investigation, if warranted, the names of those individuals found to be illegally collecting pensions; ascertaining whether previous pension overpayments have been recouped and whether current pensions have been suspended for cited individuals; and sending

special reminders to service retirees that state their responsibilities regarding public service re-employment. For the remaining two recommendations, related to setting up a monitoring program to identify those City retirees re-employed in New York public service, and reinforcing to City agencies the importance of maintaining effective procedures, FIRE officials stated that these recommendations are beyond the scope of the Fire Department.

### Update

FIRE reported that it has investigated the three individuals cited in the audit and determined that they were illegally re-employed. One individual is making payment directly to the Board of Education. FIRE has begun recoupment from the other two individuals. FIRE is also implementing the remaining three recommendations that it agreed with.

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### **RETIREMENT SYSTEMS**

NYC POLICE Department Pensioners Working for the City After Their Retirement

Audit # FL00-205A

Comptroller's Audit Library # 7176

Issued: February 28, 2001

Monetary Effect: Potential Savings: \$116,440

### Introduction

This audit determined whether any Department (POLICE) retirees were illegally re-employed ("double-dipping" or "disability violating"), and quantified the amounts of any improper pension payments to individuals who appeared to be violators of RSSL §211 and §212, or NYC Charter § 1117, during calendar year 1999.

### Results

Fifteen POLICE retirees, of the 248 matched POLICE pensioners who received W-2s (greater than \$15,500) from the City in 1999, obtained \$116,440 in pension payments that appeared to be in violation of applicable laws and regulations. The improper pension payments are as follows:

Retirement Systems

Sections 211/212 Violators (Service Retirees)	11	\$104,532
Section 1117 Violators (Disability Retirees)	<u>4</u>	<u>11,908</u>
Total	<u>15</u>	<u>\$116,440</u>

This audit and similar audits of the other four retirement systems (Fire Department Pension Fund - FL00-203A; New York City Employees' Retirement System - FL00-204A; Board Of Education Non-Pedagogical Pensioners - FL00-202A; and Teachers' Retirement System - FL00-206A), identified the following problems regarding City pensioners being re-employed by the City.

- Inadequate or lack of monitoring of City pensioners re-employed by the City; and
- Failure by City agencies to ensure that City retirees comply with State and City laws regarding public service re-employment.

POLICE officials agreed to comply with the audit's six recommendations.

**Update**

POLICE did not provide follow-up information.

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**RETIREMENT SYSTEMS**

NYC Teachers' Retirement System Pedagogical Pensioners Working for the City After Their Retirement

Audit # FL00-206A

Comptroller's Audit Library # 7222

Issued: April 27, 2001

Monetary Effect: Potential Savings: \$230,332

**Introduction**

This audit determined whether any NYC Teachers' Retirement System (TRS) retirees were illegally re-employed ("double-dipping" or "disability violating"), and quantified the amounts of any improper pension payments to individuals

who appeared to be violators of RSSL §211 and §212, or NYC Charter § 1117, during calendar year 1999.

### Results

Thirty-two TRS retirees, of the 895 matched TRS pensioners who received W-2s (greater than \$15,500) from the City in 1999, obtained \$230,332 in pension payments that appeared to be in violation of applicable laws and regulations.

This audit and similar audits of the other four retirement systems (Board of Education Retirement System - FL00-202A; Fire Department Pension Fund - FL00-203A; New York City Employees' Retirement System - FL00-204A; and Police Department Pension Fund -FL00-205A), identified the following problems regarding City pensioners being re-employed by the City.

- Inadequate or lack of monitoring of City pensioners re-employed by the City; and
- Failure by City agencies to ensure that City retirees comply with State and City laws regarding public service re-employment.

TRS officials agreed with all six recommendations contained in the report.

### Update

TRS did not provide follow-up information.

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### **ALL FIVE NYC RETIREMENT SYSTEMS (BERS, FIRE, NYCERS, POLICE, AND TEACHERS)**

NYC Pensioners Working for New York State After Their Retirement

Audit # FL00-207A

Comptroller's Audit Library # 7288

Issued: June 27, 2001

Monetary Effect: Actual Savings: \$ 3,628  
 Potential Savings: \$140,536

## Introduction

This audit determined whether any NYC pensioners were illegally re-employed by New York State ("double-dipping" or "disability violating"), and quantified the amounts of any improper payments to individuals who appeared to be violators of RSSL § 211 and § 212, or NYC Charter § 1117, during calendar year 1999.

## Results

Fourteen City retirees (consisting of 10 service retirees and 4 disability retirees), of the 673 matched City pensioners who were re-employed by New York State and earned more than \$15,500, appeared to be in violation of applicable laws and regulations, and obtained \$144,164 in improper pension payments in calendar year 1999. The distribution by New York City retirement system is as follows:

Retirement System	Service Retirees	Disability Retirees	Total Retirees	Improper Pension Payments
POLICE	2	3	5	\$90,157
TEACHERS	7	0	7	48,288
NYCERS	1	0	1	3,628
FIRE	0	1	1	2,091
BERS	0	0	0	-0-
<b>Total</b>	<b>10</b>	<b>4</b>	<b>14</b>	<b>\$144,164</b>

This audit found problems similar to those found in separate audits of the five City retirement systems (Board of Education Retirement System - FL00-202A; Fire Department Pension Fund - FL00-203A; New York City Employees' Retirement System - FL00-204A; Police Department Pension Fund - FL00-205A; and Teachers' Retirement System - FL00-206A), regarding City pensioners being re-employed by New York City. The problems identified in these audits are:

- Inadequate or lack of monitoring of City pensioners re-employed in New York public service, and
- Failure by New York governmental agencies to ensure that City retirees comply with State and City laws regarding public service re-employment.

Officials of POLICE, TEACHERS and NYCERS, generally agreed to comply or stated that they were already in the process of complying with the audit's six recommendations. The New York City Fire Department agreed with four of the six recommendations. For the remaining two recommendations, related to setting up a monitoring program to identify those City retirees re-employed in New York public service, and reinforcing to City agencies the importance of maintaining effective procedures, the Department's Deputy Director, Bureau of Uniformed Pensions Payroll stated that these recommendations are beyond the scope of the Fire Department Pension Bureau. BERS did not respond to the audit's recommendations since none of its members were cited for "double dipping" or "disability violating."

### Update

NYCERS reported that it has investigated the individual cited in the audit and has recouped the \$3,628. NYCERS is also implementing four of the remaining five recommendations.

FIRE reported that it has investigated the individual cited in the audit and has begun recoupment. FIRE is also implementing the remaining three recommendations that it agreed with.

TEACHERS and POLICE did not provide follow-up information.

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**DEPARTMENT OF SANITATION (DOS)**

The Department of Sanitation's Progress in Decommissioning the Fresh Kills Landfill

Audit # EW00-158A  
Comptroller's Audit Library # 7223  
Issued: April 30, 2001  
Monetary Effect: None

**Introduction**

This audit evaluated the Department of Sanitation's (DOS) effectiveness in decommissioning the Fresh Kills Landfill. It specifically examined DOS's development of a plan for complying with legislative and regulatory requirements and time frames, DOS's adherence to its plan, and whether a suitable project team is managing the plan. New York State passed legislation on May 31, 1996, that mandated the landfill's closure (i.e., stop accepting waste) by January 1, 2002. As a result, the New York State Department of Environmental Conservation (DEC) modified its 1990 Order on Consent, under which the landfill had been operating. This modification (Modification #7) established measures for the accelerated closure and decommissioning of the landfill by stipulating 14 milestones. If DOS does not meet those milestones, it could face monetary penalties.

**Results**

The audit found that DOS has not developed a written plan describing how and when the various milestones required under Modification #7 will be performed. Moreover, neither DOS nor its consultant has developed a schedule to provide specific information about the landfill's closure. However, DOS has met three milestones (two significant) either on time or early.

DOS has also established a project team of engineers who have appropriate and adequate credentials for managing and overseeing the decommissioning of the landfill. However, the project team's organization is not formal, and responsibilities are broad in nature and non-specific.

Overall, the audit found no outstanding problems that would make it unlikely that DOS would be able to comply with the remaining milestones. However, the auditors would be

more confident that DOS would successfully comply if it had a written plan for decommissioning and a more structured project team.

Additionally, the audit noted problems with DOS's administration of its contract with its design consultant, Malcolm Pirnie. The lack of a formal project organization may have contributed to these problems, as follows: the total contract amount was improperly reported in billing invoices; DOS did not obtain an authorized change order when it instructed Malcolm Pirnie to perform an additional task not contained in the original contract; and DOS deviated from a contractually specified "work plan" method for directing work.

In order to correct the problems identified during the audit, we recommended that DOS:

- Prepare a comprehensive written plan for carrying out the remaining work associated with decommissioning Fresh Kills Landfill.
- Formalize its project team organization by identifying areas of project responsibility, establishing an organizational hierarchy, developing job descriptions and assigning staff members in such a manner that their credentials match job requirements.
- Require Malcolm Pirnie to correct its billing invoices to reflect proper contract amounts; obtain change orders for additional work; and bill future task orders to the original tasks.

In his response to the audit, DOS' commissioner stated "I am pleased that you acknowledged in your report that we have completed three significant milestones . . . and that your engineers did not find anything in their review that would indicate that we will not be able to meet the remaining milestone dates. . . ." DOS officials did respond to each of our five recommendations, but they did not specifically indicate whether they agreed with them. Instead, DOS officials described steps they are taking to address our recommendations.



**Update**

DOS reported that it is implementing the following three audit recommendations:

- DOS will revise the organizational chart for closure and post-closure responsibilities, preparing it in conjunction with the development of the Post-Closure Operations and Maintenance Plan under the Consent Order.
- DOS has advised Malcolm Pirnie that its August 8, 2000, invoice contained an error for the maximum value of the contract, and instructed Malcolm Pirnie to correct it for future invoices. This error had no impact on the cumulative billings against the contract.
- All work is chargeable to the original contract tasks. DOS has advised the consultant that future additional work should be properly authorized and included as modifications to the work plans.

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**DEPARTMENT OF SANITATION (DOS)**

Follow-up Audit on the New York City Department of Sanitation Small Procurement and Vouchering Practices

Audit # FR00-193F  
Comptroller's Audit Library # 7175  
Issued: February 28, 2001  
Monetary Effect: None

**Introduction**

This follow-up audit determined whether the New York City Department of Sanitation implemented the six recommendations made in a previous audit report, *Audit Report on the New York City Department of Sanitation Small Procurement and Vouchering Practices* (Audit # FR98-193A, issued October 29, 1998). The previous report evaluated the Department's compliance with City guidelines pertaining to its small procurement and vouchering practices.

The previous audit noted that the Department generally complied with PPB rules and Comptroller's Directives when processing small purchases. However, there were instances where the Department's small procurement operation did not

comply with the provisions of the City Charter, PPB rules, and Comptroller's Directives related to small purchases. Specifically, the Department split purchases made from six vendors into 12 small-purchase contracts, thereby circumventing the provisions of §3-08 of the PPB rules, and on two occasions the same person prepared and approved the certificate of necessity on purchase orders in violation of Comptroller's Directive #24. In addition, the Department inappropriately used miscellaneous vouchers in 18 instances, it did not require its employees to document travel expenses on two occasions, and it charged incorrect object codes for one small purchase contract and one purchase order. Finally, two purchase orders and 35 miscellaneous vouchers lacked at least one required signature.

This follow-up audit concluded that one of the six recommendations contained in the previous report was implemented, three were not implemented, and two were no longer applicable. The one recommendation that was implemented dealt with the Department ensuring that employees' personal expense reimbursement forms provide detailed information. The two recommendations that are no longer applicable dealt with segregating the duties of the preparer and approver of purchase orders and ensuring that all purchase and payment documents are signed by appropriate agency officials. These recommendations are no longer applicable since the City's new accounting system has controls built into it, which separate these functions. The three recommendations that were not implemented related to artificially dividing purchases, improperly using miscellaneous vouchers, and charging incorrect object codes.

To address the problems that still exist, the audit recommended that the Department should:

- Ensure that all contracts awarded to vendors comply with PPB rules relating to small purchases. Further, the Department should stop artificially dividing contracts as a means of circumventing the small procurement thresholds.
- Not use miscellaneous vouchers in situations where internal vouchers are required.
- Carefully review the City's Chart of Accounts and use the correct object codes for its expenses.

In addition to following up on the prior report's recommendations, other related tests of the Department's

small procurement operation were performed. These tests found that the Department generally complied with the PPB rules and other applicable City guidelines. However, the audit noted that of 36 small purchase contracts that were reviewed, the required number of vendors were not solicited for two contracts, fourteen contracts lacked the date the contract was awarded on the Determination of Award form, and one purchase order file lacked documentation that bids were obtained. Furthermore, the Department inappropriately paid for parking tickets and made a duplicate payment to one of its employees.

To address these new matters the audit recommended that the Department take the necessary steps to ensure that: bids are solicited from the required number of vendors; contracts contain the date of award on the Determination of Award form; purchase order files contain required documentation showing that bids were obtained; employee parking tickets are not reimbursed; and, all documents in the voucher package be stamped "vouchered" to prevent duplicate payments.

In its response, the Department discussed the implementation status of the eight recommendations made in this report. In that regard, the Department stated that it agrees that it should ensure that all contracts awarded are in compliance with PPB rules and that it "will endeavor to comply . . . to the fullest extent possible." The Department, however, asserted that it "did not intentionally divide purchases in order to circumvent the small procurement thresholds on the 26 contracts listed on the report."

**Update**

The Department reported that it has implemented all of the audit's recommendations.

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**DEPARTMENT OF SANITATION (DOS)**

Audit of the New York City Department of Sanitation's Recycling Program

Audit # MJ00-080A  
Comptroller's Audit Library # 7302  
Issued: June 29, 2001  
Monetary Effect: None

## Introduction

The audit determined whether the Citywide recycling program established by the Department of Sanitation (DOS) is consistent with the requirements set forth in Local Law 19 (LL19). The audit focused on DOS-collected solid waste, with emphasis on the residential recycling program.

In April 1989 the New York City Council enacted LL19 to mandate the recycling of certain solid waste materials. Recyclable materials identified in the law include the following items: various types of metal, glass, paper, plastic, food waste, batteries, tires, Christmas trees, and yard waste. DOS' Bureau of Waste Disposal currently oversees the City's residential recycling program. For fiscal years 1999 and 2000, DOS projected the costs directly related to its residential recycling program to be \$119.8 million and \$135.2 million, respectively.

## Results

In fiscal year 1999, DOS reported that it diverted 2,939 tons per day of LL19 recyclables from the City's solid waste stream for the purpose of recycling. This was 140 percent of the mandated target--2,100 tons per day--in effect during that year. In measuring the program's effectiveness, however, the audit identified a number of items that DOS included that may not qualify as part of the mandated recycling target, depending on one's interpretation of the law. If these items were deducted from DOS' fiscal year 1999 recycling total, the tonnage would drop to as little as 1,761 tons per day--84 percent of the target mandate for that year. (For fiscal year 2000, DOS reported that it diverted 3,717 tons per day of LL19 recyclables--109 percent of the mandated target of 3,400 tons per day.)

In evaluating the efficiency of DOS' recycling program, we found that MGP recyclables do not sell as well as paper and other LL19 recyclables. For paper recyclables, according to contractors' monthly marketing reports for fiscal year 1999, 91 percent of the paper diverted from the residential solid waste stream was sold to end-users while for MGP, only 64 percent of the MGP diverted from the waste stream was delivered to end-users. Furthermore, only 30 percent of the diverted MGP was actually sold to end-users. The remaining 34 percent consisted of mixed glass, which has little value,

if any, according to DOS and its contractors. While DOS is aware of the factors that contribute to the low marketability of MGP recyclables, it does not track the disposition of diverted materials once it delivers them to contractors. Although contractors submit monthly reports to DOS regarding the disposition of those materials, DOS neither analyzes nor acts upon the information contained in those reports.

To address the conditions found in this audit, the report made eight recommendations to DOS, specifically that DOS should:

- Work with recycling advocates and the City Council to agree on clear and binding interpretations of recycling and the materials that can be counted toward meeting the LL19 recycling tonnage mandates.
- Consider establishing a uniform methodology for its contractors to use in measuring residue (e.g., weight, composition).
- Continue to use educational and enforcement efforts to:
  - Increase the diversion rate in low-diversion districts, and
  - Encourage the public to not include contaminants and non-recyclables with recyclables.
- Assess the feasibility of employing additional and alternate means, with an emphasis on methods that have proven successful elsewhere (e.g., different methods of collecting glass recyclables to reduce contamination, using laser technology for color separation of glass, buy-back centers) for collecting glass and other recyclables in order to:
  - Improve the marketability of recovered glass recyclables, and
  - Reduce the amount of residue caused by broken glass contaminants and better enable color-separation of glass recyclables.
- Explore the feasibility of supporting a New York State minimum-content requirement law for glass recyclables.
- Enforce its contracts regarding record-keeping and reporting requirements (especially in regard to residue) and verify,

on a sample basis, the data reported and maintained by the contractors regarding the disposition of diverted materials.

- Identify the components of DOS' managed solid waste stream that constitute Department-collected solid waste, as defined in LL19.
- Calculate and track the LL19 recycling diversion rate for Department-collected solid waste.

In its response, DOS generally agreed with six of the audit's eight recommendations. Regarding our recommendation that it support a New York State minimum content law for glass recyclables, the agency said that it would take this under advisement. Regarding our recommendation that it calculate and track the LL19 recycling diversion rate for Department-collected solid waste, the agency responded that it already tracks what it deems to be the LL19 diversion rate.

**Update**

DOS reported that it has implemented the audit's recommendations that it agreed with, including:

- DOS has met with recycling advocates and the City Council on numerous occasions. DOS has recently released a report entitled New York City Recycling- In Context - A Comprehensive Analysis of Recycling in Major U.S. Cities, which address recycling issues.
- DOS has established a methodology for its contractors to use for measuring residue.
- DOS has provided public education and outreach in support of the recycling law.
- DOS Solid Waste Management Plan reports have addressed the different methods of collecting glass and other recyclables.
- DOS has enforced its contract regarding recordkeeping and reporting requirements.

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**OFFICE OF SPECIAL NARCOTICS (OFFICE)**

Follow-up Audit of the Financial and Operating Practices of the Office of Special Narcotics

Audit # FP00-138F  
Comptroller's Audit Library # 7129  
Issued: October 11, 2000  
Monetary Effect: None

**Introduction**

This follow-up audit determined whether the Office of Special Narcotics (Office) implemented the 14 recommendations made in a previous audit report (Audit # FP97-088A, issued May 28, 1997), which evaluated the Office's compliance with applicable City payroll, purchasing, and timekeeping procedures.

The Office of Special Narcotics was established in 1971 to enhance law enforcement's response to the drug problem in New York City. In accordance with New York State Judiciary Law, Article 5-b, Section 177-C, the City's five District Attorneys jointly formulated the plan that created the Office. The Office was granted concurrent jurisdiction to investigate and prosecute felony drug cases throughout the City's five counties. Cases are brought to the Office by federal, State, and local law enforcement agencies.

In fiscal year 1999, the Office spent \$12,976,418 on PS and \$992,660 on OTPS. As of December 14, 1999, the Office employed 82 Assistant District Attorneys (ADAs) and 110 non-legal staff workers.

**Results**

The Office has implemented five of the 14 earlier recommendations; three recommendations were partially implemented. The remaining six were not implemented.

The five recommendations that were fully implemented pertain to the following: (1) complying with the City's Leave Regulations for Managerial Employees; (2) ensuring that individuals responsible for paycheck distribution sign the Payroll Management System (PMS) 319 Paycheck Distribution Control Report, indicating that they successfully distributed the paychecks to the listed employees; (3) properly planning

purchases and using City requirements contracts whenever appropriate; (4) ensuring that all Imprest Fund checks contain the restrictive statement "void after 90 days"; and, (5) discontinuing the practice of making checks payable to "cash" to replenish the petty cash account.

The three recommendations that were partially implemented pertain to: (1) informing employees in writing of City guidelines regarding the two-year maximum annual leave restriction; (2) providing written authorizations to employees who are requested to forego their vacations; and, (3) transferring (into titles with higher maximum ranges) those employees who earn more than their current titles permit.

The six recommendations that were not implemented pertain to the following: (1) ceasing the practice of allowing employees to take early departure before holidays without charging such time against their leave balances; (2) requiring Assistant District Attorneys (ADAs) to record their daily arrival and departure times; (3) reducing one employee's annual leave balance by 13 hours that were previously over-accrued; (4) requiring that all employees sign for their paychecks; (5) posting all confidential expenditures to the #460 Special Expenditures Account; and, (6) carefully preparing and reviewing vouchers in accordance with City purchasing rules.

We also conducted various tests of the Personal Service and Other Than Personal Service expenditures of the Office. These tests found that the Office did not pay separated employees for holidays while they were still on payroll, underpaid two separated employees due to incorrect calculations of their leave balances, improperly paid an employee for hours he was not at work (while under investigation), incorrectly paid six employees salaries below the minimum pay levels for their titles, and did not maintain complete and accurate inventory lists for its computer-related equipment.

In its response, the Office maintained its position, taken during the previous audit, related to its time and leave policies as well as its vouchering practices. In that regard, the Office stated that it will continue to allow its non-legal staff to leave work early on days before major holidays without requiring them to charge their leave balances, and that it will not require ADAs to record their



arrival and departure times on their time sheets. Finally, the Office stated that its voucher preparation and review process is adequate. Nonetheless, the Office agreed to implement 10 of the 13 recommendations contained in this report related to excessive annual-leave balances for non-ADA employees, employees' salaries over the maximum amounts for their titles, paychecks not signed for, miscellaneous vouchers misclassified, employees separating from the agency not paid accurately, employees' salaries below the minimum pay levels for their titles, and inventory control weaknesses.

**Update**

The Office of Special Narcotics reported that it has fully implemented seven of the ten recommendations it agreed with:

- Employees have been informed in writing of City guidelines regarding the maximum annual leave balance restriction.
- The Office provides the appropriate written authorizations to employees requested to forego their vacations.
- The Office ensures that all employees receiving paychecks sign the PMS 319 Report.
- The Office posts all confidential expenditures to its #460 Special Expenditure Account.
- The Office emphasizes to its employees the importance of carefully preparing and reviewing vouchers in accordance with City purchasing rules.
- The Office has reimbursed the six underpaid employees the amounts to which they were entitled.
- The Office does not pay employees for hours they are not at work.

The Office of Special Narcotics is attempting to implement the remaining three recommendations: to identify and transfer employees to titles that encompass their current salary; to cease its practice of allowing employees early departure before holidays without charging these departures to their leave balances; and to ensure that ADAs document their time properly.

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**NEW YORK CITY TAX COMMISSION**

Audit Report on the Personnel, Payroll and Timekeeping Practices of the New York City Tax Commission

Audit # MJ01-115A

Comptroller's Audit Library # 7224

Issued: May 2, 2001

Monetary Effect: Actual Savings: \$12,000

**Introduction**

This audit determined whether the New York City Tax Commission (Commission) complied with applicable personnel, payroll, and timekeeping procedures, as set forth in (1) the Comptroller's Directive No. 13, *Payroll Procedures*, (2) *Leave Regulations for Management Employees*, (3) *Leave Regulations for Employees Who Are Under the Career and Salary Plan*, and (4) the 1995-2001 Citywide Agreement. The audit scope covered the period July 1, 1999, through December 31, 2000.

The Commission serves as an administrative review body for real property tax assessments set by the Department of Finance. The Commission's core responsibilities include accepting and reviewing applications for corrections of preliminary real estate assessments, analyzing the arguments raised on those applications, conducting hearings, rendering determinations, ordering remedial action where appropriate, and issuing written notifications of outcome in connection with annual applications for correction of real property tax assessments. The Commission consists of a President (the agency head), as well as six part-time commissioners (at least one per borough) appointed by the Mayor to staggered, six-year terms. The Commission employs 29 persons (including the President) in full-time positions. In fiscal year 2000, the agency's personal service expenditures totaled \$1,884,399.

**Results**

The Commission was generally in compliance with applicable City rules and regulations in regard to its personnel, payroll, and timekeeping practices. Based upon audit tests, there was reasonable assurance that: all 29 full-time and 6 part-time employees were bona fide, employees were not paid in excess of their title salary ranges, timekeeping transactions were accurately entered into PMS

based on primary time records, all employees who resigned or were terminated were removed from the payroll, all overtime pay was correctly calculated in compliance with the Citywide Agreement for non-managerial staff, and personnel, timekeeping, and payroll records and documents were adequately filed and retained.

However, the audit identified various weaknesses in the Commission's activities, specifically in regard to (1) segregation of duties, (2) timekeeping and leave use, and (3) annual leave accrual.

The report made five recommendations to the Commissioner, including:

- Segregate duties concerning payroll, personnel, and timekeeping among the agency's administrative staff.
- Maintain a daily timekeeping system to record the attendance, absence, or tardiness of all non-managerial staff and provide better control over the timekeeping function.
- Require employees to obtain supervisory approval when using their annual leave.
- Review each employee's annual leave balance to identify any excess annual leave balances. All unauthorized excess annual leave should be transferred to the employee's sick leave balance.
- Determine the feasibility of taking further action to recover a laptop computer assigned a former Commission employee. In any event, the Commission should not remit the lump-sum payment of \$849.23 due the former employee until the asset (or its equivalent value) is returned to the agency.

The Commission generally agreed with the audit's findings and recommendations.

### Update

The Commission reported that it is implementing the audit's recommendations as follows:

- The Commission hired a per diem employee to share the tasks of personnel, payroll, and timekeeping. However, this

person left, and the Commission is unable to hire another employee because of the hiring freeze.

- The Commission has implemented a daily timekeeping log to record attendance, absence, and lateness of non-managerial employees. However, the Appraisal and Hearings Group does not have a daily log because it conducts hearings in five boroughs during half of the year, are not regularly present in the office, and often work overtime.
- Except for emergency situations, all leaves are approved in advance.
- The Commission is currently addressing the issue of unauthorized leave balances.
- The Commission has not paid the former employee the lump-sum payment.

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**NEW YORK CITY TRANSIT**

Audit Report of the New York City Transit's Efforts to Improve Bus On-Time Performance

Audit # MJ01-057A

Comptroller's Audit Library # 7244

Issued: June 5, 2001

Monetary Effect: None

**Introduction**

This audit determined the factors that contribute to New York City Transit (Transit) buses not being on time and whether Transit has implemented effective measures to improve bus on-time performance.

Transit operates bus and subway service 24 hours a day, 7 days a week, throughout the five boroughs. Transit's Quality Assurance Unit (QA) monitors the performance of Transit's bus routes in a number of areas, including on-time performance (OTP). Transit issues a quarterly "Bus Service Quarterly Performance Indicators" report (performance report) that includes various aspects of service such as OTP and service regularity.

**Results**

The major factors that contribute to poor OTP include increased road traffic, illegal parking, and road construction. Although ridership has increased over the recent years, it may not be the most significant factor contributing to poor OTP. Transit has taken some steps in an attempt to improve OTP and bus regularity. These steps include adding more dispatchers, rescheduling routes, and trying to improve coordination with City agencies responsible for regulating City traffic. Nevertheless, those attempts have not had a significant effect on improving OTP. It appears that despite Transit's efforts, the major impediments to OTP are beyond Transit's direct control or influence. Construction projects, illegally parked vehicles, and the increased volume of vehicles coming into New York City daily combine to impede the flow of traffic in the City; consequently, they contribute to problems in OTP. While it is important that Transit take actions within its power to improve OTP (e.g., increase the number of dispatchers, implement service changes), efforts to make a material impact

on improving bus OTP would require collaboration between Transit and those City agencies responsible for regulating traffic flow in the City—particularly the Department of Transportation (and the Police Department.

To address the findings of this audit, the report made two recommendations to Transit, specifically that Transit should:

- Increase the number of dispatchers in areas identified by Transit as problem areas (e.g., vicinities with heavy congestion, routes that run along commercial districts) to aid in the orderly flow and spacing of its buses.
- Increase its efforts to improve coordination with DOT and the Police Department in regard to:
  - Being notified of construction projects and street closings in a timely manner so that Transit can take appropriate measures in providing bus service.
  - Identifying and targeting problem areas (e.g., heavy congestion, busy commercial districts) for rigorous enforcement of City traffic regulations to help ease traffic disruptions.

Transit generally agreed with the audit findings and recommendations.

### Update

Transit reported that it has implemented both of the audit's recommendations.

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### **NEW YORK CITY TRANSIT**

Audit Report on the New York City Transit's Maintenance of Wheelchair Lifts On City Buses

Audit # MJ01-183A

Comptroller's Audit Library # 7167

Issued: February 22, 2001

Monetary Effect: None

## Introduction

This audit was initiated to determine whether New York City Transit (Transit) is routinely inspecting and maintaining wheelchair lifts to ensure that they are operable in accordance with federal guidelines. The scope of this audit was calendar year 2000.

Transit is responsible for providing safe and efficient transportation for bus and subway passengers throughout the City, including the operation of 204 local and 31 express bus routes that total 1,871 miles. The Americans With Disabilities Act (ADA) prohibits discrimination on the basis of disability. The law requires transit systems to gradually make their buses and rail systems accessible to the disabled, including wheelchair users, and to provide alternative transportation to those unable to use the transit systems' fixed route service. All Transit buses are equipped with wheelchair lifts to allow individuals with disabilities access. Wheelchair lifts are either at the rear or front door of buses and allow wheelchair passengers to enter at street level.

Transit has experienced a major increase in ridership since the introduction of the "One fare, One City" MetroCard in 1997. From 1996 to 1999, overall bus ridership increased 36 percent to approximately 666.4 million, while ridership by wheelchair-bound passengers increased 67 percent to approximately 593,000 riders.

## Results

Our audit found that Transit appears to have effective controls over the maintenance of wheelchair lifts, resulting in improved bus service for wheelchair-bound passengers. To determine whether Transit ensured that lifts on its buses were operable, in accordance with ADA guidelines for providing readily accessible bus service to wheelchair-bound passengers, we observed a total of 200 buses at nine of Transit's 18 bus depots during the period July 17-27, 2000. We selected only those buses that were in service that day (either returning from or going into service). For each bus observed, we asked the bus operators to deploy the wheelchair lifts on the buses. Of the 200 buses observed, we found that 196 (98%) of them had operable wheelchair lifts. During our test to determine whether wheelchair lifts on buses worked, we also tested the operators to ascertain whether they were

able to deploy wheelchair lifts on the buses. Of the 200 operators, 198 (99%) of them were able to operate the lifts.

To determine how long depots took to repair bus wheelchair lift-related defects, we analyzed the actions in response to bus wheelchair lift related defects entered into Transit's computer database, the Maintenance Information Diagnostic Analysis System (MIDAS), for July 2000. A total of 1,905 wheelchair lift defects were reported at Transit's 18 depots. We compared the date each defect was identified and the date each defect was certified as being corrected, and found that Transit took an average of 2.56 days to repair wheelchair lift-related defects from the time the defects were identified.

At the end of the audit's fieldwork, we discussed these findings with an advocacy group for disabled persons. A representative of the group corroborated our findings by stating his impression that bus service provided to wheelchair-bound passengers by Transit has improved over the years.

Because the audit found no significant problems with Transit's maintenance of wheelchair lifts on its buses, we did not make any recommendations in the report. In its response, Transit agreed with the audit's findings. Transit stated:

"We are pleased with the City Comptroller's findings concerning our wheelchair lift maintenance and operating practices. The report found that 98 percent of our wheelchair lifts were operable and 99 percent of our bus operators were proficient in its operation. This performance coupled with the significant decline in the number of wheelchair lift-related complaints reflects the quality service that New York City Transit provides to its customers."

**Update**: Not Applicable

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**DEPARTMENT OF TRANSPORTATION (DOT)**

Follow-up Audit Report of the Internal Controls for the New York City Department of Transportation Queens Data Center

Audit # 7F01-075

Comptroller's Audit Library # 7159

Issued: January 26, 2001

Monetary Effect: None

**Introduction**

This follow-up audit determined whether the Department of Transportation (DOT) implemented the 20 recommendations made in the previous audit, entitled *Audit Report of the Internal Controls for the New York City Department of Transportation Queens Data Center* (Audit # 7A 96-083, issued on June 19, 1996), which evaluated the adequacy of the data center's physical security, program change control, computer operations, and backup/contingency plans to protect DOT's computer assets.

DOT is responsible for the monitoring and movement of traffic within the City of New York. Additional DOT functions include the servicing of City streets, highways, bridges, tunnels, ferry operations and street lighting.

This report addresses our audit of the DOT data center located in Queens, New York. During the entrance conference, DOT officials stated that their Computer Services group has moved to a new location in Manhattan. However, the Traffic Management group still maintains the data center located in Queens, and the group operates the Vehicular Traffic Control System (VTCS). VTCS is used to monitor traffic and control traffic lights.

**Results**

Of the 20 recommendations in the prior report six were fully implemented, three were partially implemented, five were no longer applicable, and six were not implemented.

The six recommendations that were fully implemented pertain to the following: (1) periodically reviewing the card access file and reconciling all outstanding card keys in accordance with DOT's procedures; (2) periodically inspecting the data center to ensure its cleanliness and safety; (3)

changing user passwords every six months; (4) enhancing formal system administrator procedures and guidelines; (5) requiring system administrators to monitor and follow-up on any system access violations; (6) reviewing and updating user profiles and ensuring that special default privileges are given only to staff needing these functions to perform their jobs.

The three recommendations that were partially implemented pertain to: (1) improving formal password policies and procedures; (2) ensuring that passwords are changed periodically, and that user sign-ons that became inactive for a specific period of time are suspended/disabled; (3) installing a Fire-Suppression System, a Fire/Water-Detection System, safety glass and posting "No Smoking" signs.

The six recommendations that were not implemented pertain to the following: (1) developing formal physical security guidelines/procedures concerning the data center; (2) improving access control procedures by using sign-on/password request forms to request, authorize, and document authorized user access levels; (3) incorporating an automatic time-out function; (4) restricting vendor remote modem access; (5) developing a formal disaster contingency plan; (6) contracting with a private firm that would provide disaster recovery facilities, or establishing its own back-up facility for data center operations at an off-site location.

Accordingly, we repeat the 3 recommendations that were only partially implemented and the 6 recommendations that were not implemented.

In its response, DOT generally agreed with the audit's findings and recommendations.

### Update

DOT reported that it has implemented five recommendations and partially implemented four recommendations, including the following:

- DOT has developed formal security guidelines and procedures concerning the data center.
- DOT has improved access control procedures by using sign-on password request forms.

- DOT has posted "No Smoking" signs to help reduce the risk of fire.
- DOT's development of a facility for disaster recovery is a major component of its network upgrade to Windows 2000.

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## **DEPARTMENT OF TRANSPORTATION (DOT)**

Follow-up Audit of the Internal Controls of the New York City  
Department of Transportation 40 Worth Street Data Center

Audit # 7F01-150

Comptroller's Audit Library # 7249

Issued: May 7, 2001

Monetary Effect: Not Applicable

### **Introduction**

This follow-up audit evaluated whether the New York City Department of Transportation (DOT) implemented the recommendations made in an earlier audit report entitled *Audit Report of the Internal Controls for the New York City Department of Transportation 40 Worth Street Data Center* (Audit No. 7A97-064, issued April 4, 1997). The prior audit revealed weaknesses in the DOT data center's internal controls for physical security, access, computer operations, and disaster recovery.

### **Results**

This audit determined that of the 18 recommendations made in the prior audit, six have been implemented, five have been partially implemented, and six have not been implemented, and one is no longer applicable. DOT continues to show weaknesses in all aspects of internal control. Specifically, time-out features are not implemented on DOT's two platforms—Banyan and Windows NT. DOT does not require MIS security staff to record and monitor system access violations. The data center still does not have a disaster contingency plan. DOT has not implemented a dial-back security feature that restricts the time of access for remote dial-in users and does not have procedures for monitoring remote dial-in access to DOT's computer networks, and for the proactive monitoring of system violations. In addition, DOT

does not have a complete listing of all computer equipment at the agency.

To address the issues that still exist, we made 13 recommendations, including those below. DOT should:

- Install a video surveillance system inside the data center.
- Install a cardkey access system at the data center's entrance.
- Implement time-out features for all mission-critical computer applications.
- Replace the data center's fire extinguishers with certified models.
- Update DOT's policies and procedures requiring system administrators to review access violations and report any such activities to management.
- Set proper security features for remote dial-in users (i.e., activate the dial-back function, restrict time of access, etc.).
- Update DOT's security procedures to ensure that remote dial-in access privileges are disabled for users who are no longer associated with DOT, or who no longer require remote-access privileges.
- Conduct an annual inventory reconciliation of all computer equipment in MIS' custody and maintain an up-to-date inventory of all computer equipment in MIS' custody.

DOT agreed with 11 of the 13 recommendations made in this report. The two recommendations with which DOT disagreed concerned installing a cardkey access system and implementing proper security features for remote dial-in users.

**Update**

DOT did not provide follow-up information.

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**DEPARTMENT OF TRANSPORTATION (DOT)**

Audit Report on the Department of Transportation's Standards  
for Installing New Traffic Signals

Audit # EW01-079A

Comptroller's Audit Library # 7281

Issued: June 25, 2001

Monetary Effect: Potential Savings: \$30,500

**Introduction**

The audit determined whether DOT had appropriate standards for reviewing new traffic signal requests and was adhering to them. In addition, the audit determined whether DOT is adhering to its goals of completing each signal review within 12 weeks and installing approved signals within 6 months. The audit reviewed the Department of Transportation's (DOT) standards and files for a sample of 60 traffic signal requests received in fiscal year 2000, as well as time frames associated with reviews and installations for all completed signal requests and installations initiated in fiscal year 2000.

**Results**

DOT applies appropriate engineering techniques and standards that are based on variations of federal standards contained in the Federal Highway Administration's Manual on Uniform Traffic Control Devices. However, the particulars of the standards are often unclear, and the standards are not documented in a comprehensive written format. Nor did DOT's case files contain summaries to indicate why requests were either approved or denied.

DOT conducts internal reviews of denied requests at 6-month intervals, but subsequent reviews are conducted by the same group of engineers that made the initial reviews. Our review of 20 denied requests determined, based on file documentation, that one of the requests should have been approved.

According to the *Mayor's Management Report* (MMR) for fiscal year 2000, the periods allowed for review and installation are 12 weeks and 6 months, respectively. However, DOT actually permits signal reviews to take

approximately 13 weeks—i.e., 3 months—and installations to take up to 7 months. Using DOT's standard of completing a review within 3 months, reviews for 183 of 625 requests (29 percent) were completed late by an average of approximately 22 days. However, using 12 weeks as the standard, 239 of 625 requests (38 percent) were completed late by an average of approximately 25 days. Regarding signal installation, 28 of 71 cases (39 percent) exceeded the 6-month installation criterion by an average of approximately 10 days. However, using DOT's practice of allowing up to seven months as the standard, only 2 of 71 installations (3 percent) were completed late.

DOT did not assess liquidated damages for signals that were installed late, even though it was permitted to do so by its contract with the installation contractor. For 8 of 40 installed signals in our sample, the contractor completed installations after 45 days, which is the contractually stipulated time period for completing installation. The total value of liquidated damages for the 8 late installations was \$30,500.

Recommendations to DOT included that it:

- Develop a comprehensive set of written standards that describe policies and procedures for reviewing requests for new traffic signals.
- Provide a summary sheet for each signal review describing specific reasons why warrant(s) were or were not satisfied.
- Require that both approved and denied requests be reviewed by a supervisor.
- Ensure that the 6-month internal reviews of denied signal requests are conducted by personnel other than the original reviewers.
- Establish formal policies defining standards (and how performance will be measured against them) for completing signal reviews in a given time period, and for installing signals in a given time period after being approved. These time periods should be stated in the *Mayors Management Report*.
- Either revise its installation requirement contract to reflect the agency's actual policy for assessing liquidated damages, or assess them as specified in the contract.

DOT generally agreed with our findings and recommendations.

**Update**

DOT reported that it has implemented eight of the nine recommendations, including the following:

- DOT places a summary sheet in each approval file that includes all those with extenuating circumstances.
- DOT has a target date for signal reviews of three months from the date a study is logged in to the date signal reviews are completed.
- DOT has a standard for installing signals, installation within six months of the month signals are approved.
- DOT has continued weekly meetings with Verizon since December 2001. DOT had discontinued meetings with Verizon after September 11<sup>th</sup> because Verizon's offices were damaged during the World Trade Center attacks.

DOT has determined that modification to its liquidated damages provision is unnecessary.

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**DEPARTMENT OF TRANSPORTATION (DOT)**

Follow-up Audit of DOT's Installation and Maintenance of Parking Signs

Audit # MJ01-058F  
Comptroller's Audit Library # 7149  
Issued: December 29, 2000  
Monetary Effect: Unable to Determine

**Introduction**

This follow-up audit determined whether the Department of Transportation (DOT) implemented the five recommendations made in a previous audit, entitled *Audit Report on the Department of Transportation Installation and Maintenance of Parking Signs* (Audit # MJ97-086A, issued on June 26, 1997).

DOT is responsible for providing safe and efficient movement of pedestrian and vehicular traffic throughout New York City's sidewalks, streets, and highways. This responsibility includes the maintenance of traffic signs.

DOT's Borough Engineers are responsible for overseeing the maintenance of traffic signs in their respective boroughs. Sign repairs and installations are performed by DOT's Traffic Device Maintainers (TDMs) and private contractors. During fiscal year 2000, TDMs and private contractors installed a total of 129,698 parking and other traffic control signs throughout the five boroughs.

### **Results**

This follow-up audit found that DOT has implemented all five recommendations that we made in the previous audit and improved its maintenance of parking signs. We found that DOT has (1) established a time standard for repairing parking signs, (2) eliminated the backlog of parking sign-repair orders and, (3) efficiently utilized State grants for the installation of parking signs. We also found that data recorded on the weekly productivity reports accurately reflected the work done by the borough engineering offices.

To determine whether DOT was meeting its standard of 90 days for completing non-LPD work orders, we reviewed a sample of 100 completed orders (20 from each borough) and determined how long it took to complete these orders, concluding that 95 (95%) were completed within 90 days. These orders were completed an average of 27 days after they were generated.

To determine whether the data contained on the productivity reports was accurate, we compared data on the number of work orders that were generated, completed, and on backlog for July 2000 to data contained on DOT's computer database called the Sign, Traffic, and Accident Terminal Use System (STATUS) for the same period. Our review found that the information contained on the productivity reports accurately reflected the information contained on STATUS.

To determine whether data contained on STATUS is accurate, we reviewed data contained on a sample of 100 daily work reports to determine whether it matched data that was entered on STATUS. The daily work reports contained work order numbers and the dates that the orders were completed. We found that data entered on STATUS and the daily work reports matched in 94 (94%) of the 100 work orders reviewed.

According to figures obtained from the Department of Finance (DOF) for fiscal year 2000, efforts made to reduce the backlog of parking sign work orders appear to have



contributed to both a reduction in the number of parking sign defenses and the amount of money lost by the City due to parking fine dismissals or reductions.

Because the audit found no significant problems with the DOT's oversight for the installation and maintenance of parking signs, we did not make any recommendations in the report. In its response, DOT stated:

"The report indicated that the Department of Transportation implemented all five recommendations that were made in the previous audit and improved its maintenance of parking signs. We concur with this conclusion."

**Update:** Not Applicable

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**NEW YORK CITY WATER BOARD**

The New York City Water Board's Accounting Practices for Small Procurements

Audit # MG01-143A

Comptroller's Audit Library # 7289

Issued: June 28, 2001

Monetary Effect: None

**Introduction**

The New York City Water Board (the Board) is a public benefit corporation created by the State of New York in 1984. The Water Board consists of seven members who are appointed by the Mayor for two-year terms. It is authorized to set water and sewer rates, and to collect payments to finance the City's water and sewer systems. The City's Department of Environmental Protection (DEP) operates and maintains those systems, and functions as the Board's billing agent.

In fiscal year 2000, the Board's expense budget was \$1,795,000 for other-than-personal services. The Board does not have a personal services budget—Board members are paid on a per diem basis and support staff are DEP employees, private consultants, or workers provided through private services. The Board made 267 expense fund purchases in fiscal year 2000, totaling \$1,636,910, of which \$609,033 was for 251 "small procurements," which are purchases of goods and services costing \$25,000 or less.

This audit determined whether the Board complied with the Comptroller's Directives governing accounting practices for small procurements, and whether the payments made to vendors for small purchases of goods and services were accurate and appropriate.

**Results**

The Board's accounting practices for small procurements generally complied with applicable Comptroller's Directives, such as those relating to: (1) obtaining invoices for regular purchases prior to payment, (2) appropriately calculating total costs for payment vouchers, and (3) obtaining required signatures for payment vouchers and checks.

However, the audit identified some weaknesses in the Board's accounting practices for small procurements. The Board did not use purchase requisitions and infrequently used purchase orders and receiving reports for its fiscal year 2000 purchases. In addition, the procurement process provided only a limited segregation of duties across the purchasing, receiving, and vouchering functions. Furthermore, the Board did not assign an employee who is independent of the administration of the petty cash fund to conduct regular reconciliations of the fund.

The audit made six recommendations, among them that the Water Board: prepare purchase requisitions; consistently prepare purchase orders and receiving reports; endeavor to ensure an adequate segregation of duties among the ordering, receiving, and payment functions; and conduct regular reconciliations of the petty cash fund.

The Water Board agreed with four of the six recommendations. It questioned the need to develop and use purchase requisitions and stated that it was not able to achieve a complete segregation of duties for its procurement process due to its small size.

**Update**

The Water Board reported that it is implementing the recommendations that it agreed with, and will also do its best to ensure that at least two or three people sign all purchase orders.

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**DEPARTMENT OF YOUTH AND COMMUNITY DEVELOPMENT (DYCD)**

Audit Report on the Procurement and Monitoring of CPA Services  
at the Department of Youth and Community Development

Audit # SQ01-096A

Comptroller's Audit Library # 7282

Issued: June 25, 2001

Monetary Effect: Potential Savings: \$13,000

**Introduction**

This audit evaluated DYCD's solicitation and award practices for the procurement of CPA audit services, and its effectiveness in monitoring those services.

In 1999, DYCD awarded six contracts totaling \$365,896 to six CPA firms (one contract per CPA firm) for audits of 1,178 contracts with community-based organizations (CBOs). There were 622 audits covering fiscal year 1996 contracts and 556 covering fiscal year 1997 contracts. The CBO contract costs that were audited totaled approximately \$98 million.

**Results**

DYCD started its RFP process to procure CPA services in November 1998—too late for audits covering FY'96 and '97 contracts to be performed in a timely manner. As a result, these audits were not performed until 1999. Comptroller's Office Directive #4, *Delegate (Contract) Agency Encumbering and Payment Procedures* requires such audits of delegate agency contracts be "completed no later than two months after the close of the program year."

DYCD complied with the Procurement Policy Board (PPB) rules concerning RFP content, solicitation of a sufficient number of qualified CPA firms, and disclosure of the proposal evaluation factors and their relative weight. However, the RFP needs additional clarity and some expansion to ensure that proposing CPA firms provide the information needed by the proposal evaluation team.

Furthermore, the evaluators may have been inconsistent in their application of the evaluation factors. Clear guidelines should be developed for rating the CPA firms' staff so that proposing CPA firms will submit information in a consistent manner. In addition, DYCD did not adequately

document the process it followed in awarding the CPA contracts. A CPA firm with a more expensive proposal was awarded one audit lot instead of another firm that DYCD considered of equivalent quality and that submitted a lower cost proposal. DYCD could have saved some \$13,000 had it awarded the work to the less expensive firm.

DYCD audits CBO contracts to ensure that granted funds are appropriately expended. DYCD established a \$10,000 audit threshold amount for determining whether to conduct an audit. An audit was called for if a CBO contract, or combination of contracts awarded to one CBO, totalled or exceeded \$10,000. Hence, the cost of monitoring a CBO's expenditures by audit may be excessive in relation to the amount of program funding the audit covers.

A review of 11 audit reports for 1996 and 1997 contracts that had corresponding reports for the same CBOs covering the previous year—fiscal year 1995—disclosed that two lacked any reference to the prior audit findings, as required by GAGAS.

The audit made 18 recommendations to DYCD. DYCD agreed with all of them.

### Update

DYCD reported that it has implemented all of the audit's recommendations, including the following:

- DYCD developed and issued on September 25, 2001 an RFP for CPA services for its contracted agencies.
- DYCD, with the help of the Mayor's Office of Contracts, has significantly revised its rating guide for the RFP.
- DYCD's Agency Chief Contracting Officer (ACCO) has provided training on the new rating guide.
- DYCD will conduct independent audits of contract agencies with cumulative funding of \$25,000 and above.
- DYCD has requested that the CPA firms document any delays in submitting audit reports by the specified deadlines.
- DYCD has developed a new Audit Guide, which specifically addresses the audit recommendations and details the audit report format.

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**SECTION II**  
**NON-GOVERNMENT AUDITS**





**CLAIMS**

During Fiscal year 2001, audit reports were issued on 15 claims totaling \$10,540,254 filed against the City. The audit accepted amount for these 15 claims totaled \$2,128,296. This resulted in a potential cost avoidance of \$8,411,958, as shown below:

Total Claim Amount	\$10,540,254
Less: Audited Accepted Amount	\$ 2,128,296
Potential Cost Avoidance	\$ 8,411,958*

\*Note: These cost avoidance figures are only "potential." They are based on results of audits, which are only the first step in the claim process. As claims are further processed, and as they are concluded via settlement or lawsuits, the actual figures will be different because of other factors that need to be considered at other steps of the claim process.

A listing of the 15 claims follows:

Claims
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AUDIT NUMBER	CLAIMANT	DATE ISSUED	CLAIM AMOUNT	AUDIT ACCEPTED AMOUNT	DISPOSITION SETTLEMENT AMOUNT
FP00-148A	Constr. Claim - Grace Industries	10/31/00	*	*	*
FP00-137A	Constr. Claim - Superb General Contracting, Co.	11/22/00	*	*	*
FP01-060A	Claim - Abundant Life Agency	08/23/00	*	*	*
FP01-088A	Claim - American Computer Machines	04/27/01	*	*	*
FP01-089A	Claim - Broadway Toys, Inc.	10/06/00	*	*	*
FP01-090A	Claim - Central Park Historical Society, Inc.	12/27/00	*	*	*
FP01-107A	Claim - Cristal Liquor Corp.	10/13/00	*	*	*
FP00-145A	Claim - Forward Door	07/19/00	*	*	*
FP01-171A	Claim - Jerrold Myerson, DDS	05/29/01	*	*	*
FP01-114A	Claim - Jerry Kolotov - Met Tek Co.	02/08/01	*	*	*
FP01-108A	Claim - Memorial Sloan Kettering Hospital	02/16/01	*	*	*
FP01-147A	Claim - Miller Advertising, Inc.	02/09/01	*	*	*
FP01-164A	Claim - Realty Corp. Intercontinental	04/04/01	*	*	*
FP01-137A	Claim - Zusman d/b/a Unimech Computers	02/26/01	*	*	*
FP01-162A	Claim - Kaiser Group, Inc.	6/13/01	*	*	*
	FISCAL YEAR 2001 TOTALS		\$10,540,254	\$2,128,296	\$8,411,958

**FRANCHISE, CONCESSION, AND LEASE AUDITS**

Franchise, concession, and lease agreements between various City agencies and private organizations result in revenues to the City, based on formulas defined in the agreements. City agencies that enter into such agreements include the Department of Parks and Recreation (DPR), and the Department of Information, Technology and Telecommunications (DoITT). Our audits evaluate the payments made by entities, such as sports franchises and hotels. As shown below, fiscal year 2001 audits resulted in collecting actual revenues totaling \$1,218,501. Additional revenue can be collected if all audit recommendations are followed.

Audit Number	Audit Library No.	Agency/Title	Date Issued	Actual Revenue To Date	Remaining Potential Revenue
FN01-062A	7179	EDC/American Port Services - 34 <sup>th</sup> St. Heliport	3/19/01	\$0	\$0
FM00-172A	7143	DoITT/Bell Atlantic Telephone Booth Advertising	12/19/00	\$ 13,493	\$0
FN01-132A	7270	DoITT/Cablevision/Brooklyn	6/21/01	\$349,484	\$0
FN01-133A	7271	DoITT/Cablevision/Bronx	6/21/01	\$289,777	\$0
FL00-195A	7135	DPR/Golf Management Corporation	10/27/00	\$ 12,632	\$0
FL01-118A	7220	DPR/Prospect Park Tennis Group	4/27/01	\$ 2,461	\$0
FL01-119A	7221	DPR/Oceanview Tennis Centre	4/27/01	\$ 5,415	\$0
FN00-130A	7124	DPR/Liberty Products, Inc.	7/12/00	\$ 35,000	\$0
FN00-141A	7121	DPR/Mullaly Park Tennis Group	7/6/00	\$ 9,713	\$0
FN00-142A	7134	DPR/Crabhouse of Douglaston, Inc.	10/24/00	\$ 66,106	\$0
FN00-191A	7139	DPR/KJM/Bayside Marina	11/29/00	\$ 3,921	\$0
FN01-064A	7205	DPR/Gio Art/Fairs, Inc.	4/11/01	\$0	\$0
FN01-065A	7183	DPR/79 <sup>th</sup> Street Boat Basin Café	3/23/01	\$ 14,479	\$0
FN01-124A	7253	DPR/City Ice Sports/Flushing Meadows Ice Skating Rink	6/12/01	\$0	\$0
FN01-144A	7268	DPR/A-1 EZ Parking, Inc.	6/20/01	\$ 97,240	\$0
FN01-145A	7252	DPR/City Ice Sports/Abe Stark Ice Skating Rink	6/12/01	\$0	\$0
FN01-149A	7295	DPR/York Avenue Tennis Group	6/29/01	\$318,780	\$0
FR00-185A	7258	DPR/Fairway Golf Course	6/12/01	\$0	\$0
FR01-091A	7243	DPR/Pars & Strikes	6/4/01	\$0	\$0
	TOTAL			\$1,218,501	\$0

**ECONOMIC DEVELOPMENT CORPORATION (EDC)**

Audit Report on American Port Services, Inc. (34<sup>th</sup> St. Heliport) And Compliance with Its Operating License Agreement

October 15, 1997 to June 30, 2000

Audit # FN01-062A

Comptroller's Audit Library # 7179

Issued: March 19, 2001

Monetary Effect: None

**Introduction**

On October 15, 1997, the City, through the New York City Economic Development Corporation (EDC), entered into an "Operation Agreement" with American Port Services, Inc. (APSI) that required APSI to manage, operate, maintain, and repair the East 34<sup>th</sup> Street Heliport (Heliport). For the first 120 days of the agreement, APSI was required to pay the City 10 percent of its gross receipts or \$16,250 each quarter, whichever was less. Thereafter, APSI was required to pay the City 10 percent of its gross receipts or \$16,250 each quarter, whichever was greater. On March 5, 1998, EDC modified the payment terms whereas APSI was only required to pay the City the lessor of 10 percent of its gross receipts or \$16,250 each quarter until the completion of the installation of an operating fuel delivery system.

The agreement also required that APSI maintain certain levels of commercial aviation liability and other insurance liability policies, with each policy naming the City as an additional insured, and pay all required taxes.

This audit determined whether APSI: maintained adequate internal controls over the recording and reporting of its gross receipts; properly reported all gross receipts generated from Heliport operations, calculated and paid all required fees due to the City on time; and complied with certain non-revenue requirements of its agreement.

**Results**

From October 15, 1997, to June 30, 2000, APSI reported \$2,331,550 in gross receipts and paid fees totaling \$152,492, to the City—the minimum fees required. However, the audit reported weaknesses in APSI's revenue-reporting system and in its internal controls that prevented the auditors from

verifying whether APSI reported all of its operating revenues to the City.

APSI's records did not support the gross receipts it reported to the City for the audit period. In addition, APSI did not recognize its income consistently. Income was recognized on APSI's books and records based on the accrual basis—at the time the sale was made—but income was reported on its gross receipts statements to the City on the cash basis—when payment was collected from its customers. Furthermore, APSI did not provide supporting documentation for certain revenues reported to the City for the period October 1997 through March 1998. Lastly, APSI did not have adequate segregation of duties over certain billing functions.

APSI maintained the proper amounts and types of insurance coverage. In addition, APSI filed required tax returns and paid its State and City taxes. However, the audit could not confirm whether APSI provided the City with a security deposit for the use of the Heliport. Although the operating agreement indicated that EDC applied APSI's security deposit from the recently closed 60<sup>th</sup> Street heliport to the Heliport covered in this agreement, no documentation was provided to support that APSI had, in fact, deposited security with the City for the 60<sup>th</sup> Street heliport.

The audit made three recommendations to APSI, including that its certified quarterly Gross Receipts Statements accurately reflect the correct amount of revenue derived from the operation of the 34<sup>th</sup> Street Heliport; that it reconcile its bank statements to its books and records and reconcile its books and records to the reported Gross Receipts Statements; and that it retain all necessary documentation for six years. The audit also recommended that EDC amend the agreement to include a security deposit, and ensure that the amount determined is deposited with the Comptroller's Office.

### Update

APSI officials agreed with the audit and reported that corrective actions have been taken to ensure that the recommendations are implemented. EDC officials reported that security is determined on a case-by-case basis, and a security deposit for this tenant was not necessary.

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**DEPARTMENT OF INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS  
(DOITT)**

Audit Report on the Franchise Fees Due From New York Telephone Company for Advertising Revenue; January 1, 1999 through December 31, 1999

Audit #FM00-172A

Comptroller's Audit Library # 7143

Issued: December 20, 2000

Monetary Effect: Actual Revenue: \$13,493

**Introduction**

This audit determined whether New York Telephone Company (Verizon) and its "media representative", Transportation Displays Incorporated (TDI), accurately reported all advertising revenue, properly calculated its franchise fee, and complied with certain non-revenue provisions within in its franchise agreement. This audit covered the period January 1, 1999, to December 31, 1999.

Verizon through TDI has the right to provide advertisement on telephone booths throughout the City under a franchise agreement with the Department of Information Technology and Telecommunications (DoITT). TDI is responsible for selling advertising space, maintaining advertising displays, billing and collecting advertising revenues, and paying the City 26 percent of gross advertisement revenues less commission paid to advertising agencies.

**Results**

Verizon and TDI substantially complied with the advertising terms and conditions of the franchise agreement during the audit period. In addition, TDI maintained the required \$1.1 million in liability insurance.

However, \$51,896 in revenue from "miscellaneous billings" was not reported to the City. As a result, Verizon owed the City \$13,493 (26 percent of \$51,896) in additional franchise fees for calendar year 1999. In addition, Verizon did not increase the security deposit from \$500,000 to approximately 2.4 million due under the current agreement, which went into effect on September 30, 1999.

The audit made the following recommendations:  
Verizon should:

- Remit a check for \$13,493 to the New York City Department of Finance for additional franchise fees.
- Ensure that TDI includes all advertising revenue in its quarterly reports and franchise fee calculations.
- Remit a security deposit to the City, in accordance with the franchise agreement.

DoITT should:

- Ensure that Verizon complies with the report's recommendations.

Verizon, TDI and DoITT officials agreed with the report's findings and recommendations. In fact, on December 11, 2000, Verizon remitted a check for \$13,493 and a letter of credit for \$2.4 million, in accordance with the report's recommendations.

### Update

DoITT reported that all of the recommendations have been implemented. DoITT ensures that TDI includes all advertising revenues in its quarterly reports and franchise fee calculations.

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### **DEPARTMENT OF INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS (DOITT)**

Audit Report on the Franchise Fees Due from Cablevision Systems  
New York City Corporation for Brooklyn and Compliance with Its  
Franchise Agreement

Audit #FN01-132A

Comptroller's Audit Library # 7270

Issued: June 21, 2001

Monetary Effect: Actual Revenue: \$349,484

## Introduction

In 1998, the City of New York, through its Department of Information Technology and Telecommunications, and Cablevision Systems New York City Corporation for Brooklyn (Cablevision/Brooklyn) entered into a 10-year, non-exclusive franchise to operate a cable television system within the Borough of Brooklyn. The agreement requires that Cablevision/Brooklyn pay the City five percent of its annual gross revenues less the mandatory payments that Cablevision/Brooklyn makes to the New York State Commission on Cable Television; carry a \$50 million combined insurance policy; maintain a security fund deposit of \$4,380,000 with the City Comptroller's Office; and provide \$4.60 per subscriber annually to the Community Access Organization (CAO).

The audit's objectives were to determine whether Cablevision maintained adequate internal controls over the recording and the reporting of its gross operating revenue; reported, accurately, its total gross revenue, and calculated and paid the appropriate franchise fees due, to the City, paying these franchise fees on time; and complied with the other major requirements of its franchise agreement.

## Results

For the audit period January 1, 1998, through December 31, 2000, Cablevision/Brooklyn reported gross revenues totaling \$504.8 million, and paid the City \$24.5 million in franchise fees. Cablevision/Brooklyn generally adhered to the provisions of its franchise agreement; it fairly stated its reported financial data to the City; and its corresponding franchise fees were paid in compliance with the terms of the franchise agreement. In addition, Cablevision/Brooklyn had an adequate system of internal controls over its revenue collection and its reporting functions, and complied with certain non-revenue requirements in its agreement. However, Cablevision/Brooklyn did not report \$6,572,309 in revenues on its Quarterly Gross Revenue Statements, and owed the City \$349,484 in additional franchise fees and calculated interest, which Cablevision paid after it received the draft report.

Cablevision/Brooklyn complied with the remaining terms and conditions of its franchise agreement i.e., it had proper insurance coverage, and made the required contributions to



the New York State Public Service Commission and to the Community Access Organization.

The audit recommended that Cablevision/Brooklyn include all reportable revenue on its gross revenue statements to the City.

In response, both Cablevision and DOITT responded that they agreed with the audit's findings and recommendations.

### Update

Cablevision reported that since the audit it has included all reportable revenue on its gross revenue statements to the City.

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### **DEPARTMENT OF INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS (DOITT)**

Audit Report on the Franchise Fees Due from Cablevision Systems New York City Corporation for the Bronx and Compliance with Its Franchise Agreement January 1, 1998, to December 31, 2000

Audit #FN01-133A

Comptroller's Audit Library # 7271

Issued: June 21, 2001

Monetary Effect: Actual Revenue: \$289,777

### Introduction

In 1998, the City of New York, through the Department of Information Technology and Telecommunications (DOITT), and Cablevision Systems New York City Corporation for the Bronx (Cablevision/Bronx) entered into a 10-year, non-exclusive franchise to operate a cable television system within the Borough of the Bronx. The agreement requires that Cablevision/Bronx pay the City five percent of its annual gross revenues less the mandatory payments that Cablevision/Bronx makes to the New York State Commission on Cable Television; carry a \$50 million combined insurance policy; maintain a security fund deposit of \$3,120,000 with the City Comptroller's Office; and provide \$4.73 per subscriber annually to the Community Access Organization (CAO).

This audit's objectives were to determine whether Cablevision maintained adequate internal controls over the recording and the reporting of its gross operating revenue; reported accurately its total gross revenue, and calculated and paid the appropriate franchise fees due, to the City, paying these fees on time; and complied with the other major requirements of its franchise agreement.

### **Results**

For the audit period January 1, 1998, to December 31, 2000, Cablevision/Bronx reported gross revenues totaling \$482.4 million, paying the City \$23.4 million in franchise fees. Cablevision/Bronx generally adhered to the provisions of its franchise agreement; it fairly stated its reported financial data to the City; and its corresponding franchise fees were paid in compliance with the terms of the franchise agreement. In addition, Cablevision/Bronx had an adequate system of internal controls over its revenue collection and reporting functions, and complied with certain non-revenue requirements in its agreement. However, Cablevision/Bronx did not report \$5,456,617 in revenues on its Quarterly Gross Revenue Statements, and owed the City \$289,777 in additional franchise fees and calculated interest, which Cablevision paid after it received the draft report.

Cablevision/Bronx complied with the remaining terms and conditions of its franchise agreement, i.e., it had proper insurance coverage and made the required contributions to the New York State Public Service Commission and the Community Access Organization.

The audit recommended that Cablevision/Bronx include all reportable revenue on its gross revenue statements to the City.

In response, both Cablevision and DOITT indicated that they agreed with the audit's findings and recommendations.

### **Update**

Cablevision reported that since the audit it has included all reportable revenue on its gross revenue statements to the City.

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**DEPARTMENT OF PARKS AND RECREATION (DPR)**

Audit Report on the License Fees Due From Golf Management Corporation and Compliance with Its License Agreement

Audit # FL00-195A

Comptroller's Audit Library # 7135

Issued: October 27, 2000

Monetary Effect: Actual Revenue: \$12,632

**Introduction**

On July 26, 1985, the Department of Parks and Recreation (Parks) granted Golf Management Corporation (GMC) a ten-year license to operate the Marine Park Golf Course, pro-shop and snack bar, in Brooklyn. The license included two five-year renewal options, which were exercised by GMC. The license requires that GMC pay the City 11.5 percent of gross receipts from green fees and food and beverage sales plus 5 percent of pro-shop sales or a minimum annual fee totaling \$90,000 during calendar year 1999.

This audit determined whether GMC maintained adequate internal controls over the recording and the reporting of gross revenues; calculated and properly paid its fees on time; complied with the other major requirements of its license agreement (e.g., paid its utility charges and maintained proper insurance coverage.) GMC reported to Parks gross receipts totaling \$7,082,946 for the period, January 1, 1996, through June 30, 2000, and paid the City \$777,880 in license fees.

**Results**

GMC had adequate internal controls over the recording and reporting of revenue. Thus, GMC generally adhered to the provisions of its license agreement, fairly reported its revenue to the City, and its fees were accurate and paid on time. In addition, GMC paid its utility charges on time, maintained proper insurance coverage, and maintained the required security deposit with the City. However, GMC did not report \$71,535 in rent it received from various snack bar operators over the past four years on the Gross Receipts Statements it submitted to Parks. As a result, GMC owes the City \$12,632.

In addition, a sub-licensee of GMC, which operates a snack bar at the golf course, did not maintain adequate records of revenue derived from food and beverage sales generated from golf outings. Consequently, it could not be confirmed whether all revenue from these events was reported to the City and whether appropriate fees were paid.

The audit recommended that GMC pay the City \$12,632 for underreported gross revenues, ensure that all rent received from any sub-licensee is reported to Parks and that appropriate fees are paid, indicate on its contracts for golf outings whether food and beverages will be served, and ensure that the sub-licensee enters into formal agreements with golf outing organizers specifying the services to be provided and the amount charged.

As a result of our audit, DPR issued a "Notice to Cure" to GMC for \$12,632 and required GMC to comply with the recommendations in the report.

### **Update**

DPR reported that GMC submitted a check of \$12,632 to DPR on November 13, 2000 as payment for the audit assessment, and has implemented the remaining audit recommendations.

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### **DEPARTMENT OF PARKS AND RECREATION (DPR)**

Audit Report on the License Fees Due from Prospect Park Tennis Group, Inc., and Compliance with its License Agreement; October 1, 1997, to June 30, 2000

Audit # FL01-118A

Comptroller's Audit Library # 7220

Issued: April 27, 2001

Monetary Effect: Actual Revenue: \$2,461

### **Introduction**

This audit determined whether Prospect Park Tennis Group, Inc., (Prospect) maintained adequate internal controls over the recording and reporting of gross receipts for the tennis facility; calculated and properly paid on time its fees due to the City; and complied with the major requirements of its license agreement. Prospect reported to the Department of

Parks and Recreation (Parks) gross receipts totaling \$1,177,661, for the period October 1, 1997, through June 30, 2000, and paid the City \$255,881 in license fees.

### **Results**

Prospect did not have adequate internal controls over the recording and reporting of gross receipts. Nor did Prospect provide complete financial records supporting the amounts that it reported to Parks. As a result, it could not be determined whether Prospect accurately reported its gross receipts and paid all required fees to the City. Nevertheless, based on the available records, the audit determined that Prospect owes the City \$2,461 in additional license fees.

In addition, the audit found that Prospect paid its utility charges on time, maintained proper insurance coverage, and maintained the required security deposit with the City. However, Prospect has no water meter and, therefore has not been billed for water use from the inception of the license. Furthermore, Prospect has not constructed the new clubhouse which, according to the license, was scheduled to be completed by December 31, 1998. According to Prospect officials, the delay resulted from problems in obtaining Parks' approval of the architectural plans. Parks' officials state they approved the architectural plans, and have submitted them to the City's Art Commission for approval.

The audit recommended that Prospect pay the City \$2,461 for underreported gross receipts identified in this report, correct all control weaknesses, complete all capital improvements at the facility, and contact DEP and arrange for the installation of a water meter. In addition, the audit recommended that Parks issue a Notice to Cure to Prospect requiring it to implement the above recommendations.

Officials from both Prospect and Parks agreed with the audits' findings and recommendations.

### **Update**

Parks reported that it issued A Notice to Cure on April 24, 2001, to which Prospect did not respond. On July 13, 2001, Parks issued a Notice of Termination. Parks conditionally reinstated the license on July 19, 2001,

contingent upon Prospect's payment of the outstanding balance and the installation of a water meter by July 31, 2001. Prospect paid the outstanding balance of \$2,461 on that date. However, the water meter has not yet been installed, because DEP has a problem with the installation of the water meter at a trailer site rather than in the building. The Parks Revenue Department will work with DEP to help resolve this issue. Parks will also schedule a follow-up review to ensure Prospect's compliance with the remaining recommendations.

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#### **DEPARTMENT OF PARKS AND RECREATION (DPR)**

Audit Report on the License Fees Due from Oceanview Tennis Centre, Inc. and Compliance with Its License Agreement October 1, 1997 to June 30, 2000

Audit # FL01-119A

Comptroller's Audit Library # 7221

Issued: April 26, 2001

Monetary Effect: Actual Revenue: \$5,415

#### **Introduction**

This audit determined whether Oceanview Tennis Centre, Inc. (Oceanview) maintained adequate internal controls over the recording and the reporting of gross receipts for the tennis facility; calculated and properly paid, on time, its fees due to the City; and complied with the major requirements of its license agreement. For the period October 1, 1997 through June 30, 2000, Oceanview reported total gross receipts amounting to \$1,588,474 and paid license fees amounting to \$211,897 to the City.

#### **Results**

The audit found that Oceanview did not have adequate internal controls over the recording and reporting of gross receipts. As a result, it could not be determined whether Oceanview accurately reported its gross receipts and paid all required fees to the City. Nevertheless, based on the available records, the audit found that Oceanview underreported its gross receipts by \$37,189 for the period May 1999 through April 2000. As a result, Oceanview owes the City \$4,463 in additional license fees.

In addition, the audit found that Oceanview paid its utility charges on time, maintained proper insurance coverage, and maintained the required security deposit with the City. However, Oceanview has not paid for its water and sewer usage. It should be noted that Oceanview's water bills were mistakenly sent to the Department of Parks and Recreation (Parks) since the inception of the license. Nevertheless, Oceanview indicated that it will pay the City \$952, which represents the full amount due. Finally, Oceanview did not obtain Parks' approval for its two sub-license agreements, as required by its agreement.

The audit recommended that Oceanview pay the City \$4,463 for underreported gross receipts identified in this report, pay the \$952 in unpaid water and sewer charges, correct all control weaknesses, and obtain prior approval from Parks on all sub-license agreements. Lastly, the audit recommended that Parks issue a "Notice to Cure" to Oceanview requiring that it implement the audit's recommendations.

Officials from both Oceanview and Parks agreed to implement the audit's recommendations. However, Oceanview took except to our calculation of unreported revenue.

### Update

Parks reported that it issued a Notice to Cure on April 24, 2001, to which Oceanview did not respond. On July 13, 2001, Parks issued a Notice of Termination. On July 18, 2001, Parks reinstated the license because Oceanview paid the \$4,463 in additional assessed license fees and the \$952 covering outstanding water and sewer charges. Parks will schedule a follow-up review to ensure Oceanview's compliance with the remaining recommendations.

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### **DEPARTMENT OF PARKS AND RECREATION (DPR)**

Audit Report on Permit Fees Due from Liberty Products, Inc. and Compliance with Its License Agreement January 1, 1997, to December 31, 1999

Audit # FN00-130A

Comptroller's Audit Library # 7124

Issued: July 12, 2000

Monetary Effect: Actual Revenue: \$35,000

## Introduction

In 1994, the City through the Department of Parks and Recreation (DPR) awarded Liberty Products, Inc. (Liberty) a permit to operate two snack bars at the Water Conservatory in Central Park through 2001. The permit requires Liberty to pay the City the greater of a minimum annual fee of \$104,295 for year-1 to \$139,765 for year-7, or a percentage of its gross revenue—from 20 percent for year-1 to 26 percent for year-7. Liberty is also required to expend \$94,000 to renovate its larger facility; maintain a minimum of \$500,000 of Workers' Compensation, liability, and property damage insurance policies, which names the City of New York as an additional insured party; include a food-and-beverage rider; names the City as "sole party insured" on its fire and extended-coverage policy; maintain a security deposit of \$35,000 with the City; and pay its taxes and utilities.

This audit determined whether Liberty maintained adequate internal controls over its recording, reporting, and payment of fees; properly reported total gross revenues, accurately calculated permit fees due to the City, and paid those fees on time; and complied with certain non-revenue requirements of its permit. From January 1, 1997, through December 31, 1999, Liberty reported \$909,269 in revenue, and paid the City the required minimum fees totaling \$380,614 and \$7,125 in late fees and interest.

## Results

There were weaknesses in Liberty's processing and recording of its revenues necessary to provide reasonable assurance that Liberty reported all of its gross revenues and paid the appropriate fees to the City. Liberty could not provide the basic accounting records needed to track its day-to-day business transactions, which would have included current financial statements, trial balances, general ledgers, cash receipts journals, inventory records, or the corresponding supporting evidence—cash register tapes, original invoices, bank statements, invoices, or purchase receipts. Liberty also lacked essential internal controls over its cash receipts through not adequately safe-guarding its cash, not properly segregating its employees' duties, and not adequately maintaining security at its facilities. Moreover, Liberty did not comply with permit requirements that related to capital improvements, proper insurance



coverage, paying for its water and sewer usage, and obtaining the required Department of Health licenses.

Furthermore, many unsafe and unsanitary conditions were found at Liberty's two snack bars. The most serious conditions included mice droppings on the counters and workspace areas at the small snack bar, and exposed electrical wires and a large hole in the roof at the large snack bar. When these conditions were still not corrected after four follow-up observations, the New York City Department of Health (DOH) was asked by the auditors to conduct an inspection. DOH issued a Notice of Violation and Departmental Order that ordered Liberty to close its establishment immediately. DOH's inspection report listed 15 specific unsanitary conditions that resulted in 9 violations and 6 administrative violations for toxic chemicals stored in the food preparation area, food not protected from contaminants, vermin droppings, operating without a valid DOH permit and not having a valid "Food Protection Certificate."

During the three-year audit period, DPR sent Liberty more than 40 Notices To Cure to correct its problems: 22 were for past-due gross receipts statements or related fees; the remaining Notices To Cure pertained to unsanitary restroom facilities, not making the required capital improvements, and not maintaining adequate controls over gross receipts and inventory. Still, Liberty paid its fees late and decided to ignore DPR's Notices To Cure and to take the necessary corrective action. Therefore, given the dismal sanitary conditions observed, Liberty's failure to comply with past DPR's Notices To Cure, and Liberty's near-total absence of internal controls, the audit recommended that DPR terminate Liberty's permit and use Liberty's \$35,000 security deposit to pay for its water and sewer usage and for other outstanding payments.

Liberty's owner responded that he disagreed with the audit, stating that the findings were one-sided. However, he did not provide any detailed explanation or documentation to disprove the audit findings. In contrast, DPR agreed with the findings and recommendations in the audit report, stating that it had issued a Notice of Termination, effective June 15, 2000, and that it would seize Liberty's \$35,000 security deposit.

**Update**

DPR reported that on July 15, 2000 it terminated Liberty's permit to operate and on July 16, 2000 it seized the security deposit of \$35,000.

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**DEPARTMENT OF PARKS AND RECREATION (DPR)**

Audit Report on the License Fees Due from Mullaly Park Tennis Group, Inc., and Compliance with Its License Agreement May 1, 1997, to September 30, 1999

Audit # FN00-141A

Comptroller's Audit Library # 7121

Issued: July 7, 2000

Monetary Effect: Actual Revenue: \$9,713

**Introduction**

In 1997, the City's Department of Parks and Recreation (DPR) entered into an agreement with the Mullaly Park Tennis Group, Inc. (Mullaly), to provide the public with an indoor tennis facility and parking for a minimum of 90 passenger vehicles in Mullaly Park in the Bronx. Mullaly is required to pay the City the greater of a minimum annual fee beginning at \$62,400, which escalates each year to \$121,000 for year-10, or an annual percentage of 10 percent of gross receipts derived from its operation. Mullaly was also required to commit and document \$320,000 for capital improvements to either refurbish the existing clubhouse or construct a new clubhouse at the facility; carry a \$1 million liability policy and a separate \$1 million automobile insurance policy that names the City as an additional insured party; maintain a \$30,250 security deposit; and pay all required taxes and utility charges.

This audit determined whether Mullaly maintained adequate internal controls over the recording and the reporting of its gross receipts; reported the gross receipts generated from its operations accurately and paid the appropriate fees to the City on time; and complied with certain non-revenue-related requirements of its agreement. For the period May 1, 1997, through September 30, 1999, Mullaly reported \$1,272,487 in revenue, and paid the City \$145,471 in license and late fees and \$3,200 in design fees.

## Results

Mullaly made inappropriate and unallowable deductions from its gross revenues on its "Sales by Item Summary" reports, and did not maintain adequate documentation to support the revenue from its parking lot and vending machine operations. This made it difficult to determine whether Mullaly reported all of gross revenues and paid appropriate fees. In addition, Mullaly failed to include revenue totaling \$258,107 on the gross revenue statements that it submitted to DPR for the period May 1, 1997, to September 30, 1999, which resulted in Mullaly owing the City \$9,713 in additional fees and interest.

Furthermore, Mullaly's books and tax records for 1997 and 1998 could not be reconciled to the amounts reported on its gross revenue statements submitted to DPR; Mullaly's monthly "Sales by Item Summary" reports could not be reconciled to its general ledgers, cash slips, or the amounts reported on its gross revenue statements submitted to DPR; and Mullaly did not use a cash register to record and total individual sales for all of its business transactions.

Mullaly's capital improvement records submitted to DPR indicated that Mullaly completed its required minimum capital improvements of \$320,000. However, many checks—totaling \$194,000—were payable to cash and could not be matched to corresponding invoices. In addition, Mullaly could not provide proof of proper automobile insurance coverage, and has not paid for its water and sewer usage, as required by its license agreement, since it began its operations. DPR contacted the City's Department of Environmental Protection (DEP) and according to DPR, DEP will investigate this matter and ensure that Mullaly is billed for any outstanding charges.

Furthermore, Mullaly did not submit to DPR summary reports of gross revenues for its 1997-1998 and 1998-1999 operating years within 45 days after the close of its season, as required by its license agreement. Finally, Mullaly used three tennis courts for baseball parking without prior written approval from DPR.

Among the major recommendations in the audit were that Mullaly Park Tennis Group, Inc. pay the City \$9,713 in additional license fees and interest due, include all

reportable revenue on its gross revenue statements to the City, and calculate its fees due to the City accurately; ensure that the gross revenue reported on its monthly statements to DPR can be reconciled to its books and records; use a computerized cash register to record all business transactions; maintain adequate records for its parking and vending machine revenue and the required annual \$1 million automobile insurance coverage that names the City as an additional insured party; and make arrangements with DEP to pay the City for its water and sewer usage.

The audit also recommended that DPR officials ensure that Mullaly pay the City \$9,713, and comply with the report's recommendations. Both Mullaly and DPR agreed with the audit findings and recommendations.

### Update

DPR reported that it issued a Notice to Cure on June 14, 2000, and on August 1, 2000, to Mullaly to comply with the audit's recommendations. In response to the second Notice to Cure, Mullaly submitted a check on August 10, 2000, for \$9,713 as payment to the additional license fees and interest due. In addition, Mullaly delivered a letter to DPR addressing the implementation of the audit's recommendations. DPR conducted a follow-up audit and determined that most of the audit's recommendations have been implemented.

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### **DEPARTMENT OF PARKS AND RECREATION (DPR)**

Audit Report on License Fees Due from Crabhouse of Douglaston, Inc., d.b.a. Douglaston Manor, and Compliance with Its License Agreement

Audit # FN00-142A

Comptroller's Audit Library # 7134

Issued: October 25, 2000

Monetary Effect: Actual Revenue: \$66,106

### Introduction

In 1984, the City's Department of Parks and Recreation (DPR) entered into a license agreement with Crabhouse of Douglaston, Inc., d.b.a. Douglaston Manor, to operate a

restaurant, catering facility, and snack bar at the Douglaston Park Golf Course in Queens. Douglaston Manor was required to pay the City the greater of a minimum annual fee of \$50,000, or 9 percent of the gross receipts derived from the operation of the restaurant and catering facility, and the greater of a minimum annual fee of \$8,000, or 9 percent of the gross receipts from total sales at the snack bar.

This audit determined whether Douglaston Manor maintained adequate internal controls over the recording and reporting of its gross receipts; properly reported its gross receipts, and correctly calculated and paid its license fees due to the City when due; and complied with certain non-revenue-related requirements of its license agreement. For the period, November 1, 1995, through October 31, 1999, Douglaston Manor reported gross receipts totaling \$6,975,242 and paid license fees totaling \$627,735 to the City.

### **Results**

Douglaston Manor violated its license agreement by not reporting to DPR an estimated \$47,660 of revenue earned during April 2000. This occurred because Douglaston Manor circumvented its internal control systems, designed to ensure that all revenue is accurately recorded on its books and reported to the City.

Specifically, the audit found that although Douglaston Manor's computerized point-of-sales system had the appropriate controls in place to accurately monitor the flow of revenue generated by the operation of the restaurant, it circumvented these controls by using two stand-alone cash registers that were not integrated into the computerized system at its Wednesday and Friday dance events. In addition, Douglaston Manor did not report to DPR revenue from admission and coat-check fees collected during the dance events. Consequently, Douglaston Manor failed to report an estimated \$25,345 from admissions receipts, coat-check revenue, and certain food and beverage sales in April 2000.

Douglaston Manor also circumvented its procedures for recording banquet reservations, contracts, and payments. As a result, Douglaston Manor failed to report revenue totaling \$22,315 that it received from certain banquets that were held in April 2000.

In addition, Douglaston Manor did not consistently issue pre-numbered guest checks in a sequential and systematic order, which resulted in missing guest checks. This problem, which was raised in a prior Comptroller's audit (issued in 1996), prevented the auditors from verifying whether all restaurant receipts were recorded on the books and reported to DPR.

Finally, Douglaston Manor owed the City \$129,241 in outstanding water and sewer charges, and \$1,345 for its share of the costs to repair Douglaston Manor's roof.

Based on the audit's findings that Douglaston Manor violated its license agreement by intentionally circumventing its internal controls and concealing revenue from the City, the audit recommended that DPR not renew its agreement with Douglaston Manor, which expired on October 31, 2000. Additionally, DPR should closely monitor Douglaston Manor's operations through the remainder of the contract period to ensure that the appropriate fees are paid. In the interim, the report recommended that DPR issue a "Notice to Cure" to Douglaston Manor requiring that it pay the outstanding water and sewer charges, the unpaid balance of the charges for roof repairs, and an amount for past underreported revenues, based on estimates in the report.

Douglaston Manor disagreed with the audit's findings and responded that it did not violate its agreement and that it did not fail to report receipts. However, Douglaston Manor did not provide adequate documentation to support its position. Furthermore, Douglaston Manor disagreed that it owed \$129,241 for water and sewer charges. Nevertheless, Douglaston Manor entered into an installment agreement with the City's Department of Environmental Protection to pay the full amount due.

DPR responded that it issued a "Notice to Cure" to Douglaston Manor requiring it to pay \$6,685 to cover the additional license fees owed on unreported revenue for April to July 2000 and Douglaston Manor's remaining balance for its share of roof repairs.

### Update

DPR reported that on September 22, 2000 DPR reissued the Request For Proposals to operate Douglaston Manor. Douglaston Manor continued to operate under a temporary permit until

December 31, 2000, and was closely monitored by DPR to ensure that the recommendations were implemented. DPR did not renew Douglaston Manor's permit. On January 1, 2001, Douglaston Manor International, a new concession, took over the operations. Before relinquishing its permit, Douglaston Manor paid the City \$66,106 in additional license and water use fees.

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**DEPARTMENT OF PARKS AND RECREATION (DPR)**

Audit Report on License Fees Due From KJM Marina, Inc., and Compliance With Its License Agreement January 1, 1994 to December 31, 1997

Audit #FN00-191A

Comptroller's Audit Library # 7139

Issued: November 30, 2000

Monetary Effect: Actual Revenue: \$3,921

**Introduction**

In 1994, the City's Department of Parks and Recreation (DPR) entered into a license agreement with KJM Marina, Inc. (KJM), to operate the Bayside Marina in Queens, through December 31, 2008. KJM is responsible for the rental of moorings, slips, lockers, and boats, as well as the operation of boat launches, a snack bar, a bait and tackle shop, and a boat supply shop.

KJM is required to pay the City the greater of a minimum annual fee that escalates proportionately from \$10,000 in year-1 to \$30,000 for the final year of the agreement, or \$5,000 plus 12 percent of its gross receipts. KJM is also required to spend \$123,000 on capital improvements, pay DPR a 1-percent design-review fee for capital improvements, purchase \$224,500 in "Fixed and Expendable Equipment," carry the proper amounts and types of insurance, deposit \$7,500 as security with the City, and pay for its water usage. In addition, KJM is required to submit an Income and Expense statement to DPR on or before the 30<sup>th</sup> day after the close of each operating year. From January 1, 1996, through December 31, 1999, KJM reported gross receipts totaling \$742,551 and paid license fees to the City totaling \$97,106.

## Results

KJM generally complied with the provisions of its license and it had adequate internal controls over the recording and reporting of revenue from the snack bar, bait and tackle shop, and boat supply sales. However, KJM did not report \$18,602 in boat-owner rental revenue in 1996 and 1997, and \$1,147 for the value of free dockage provided to a KJM employee in 1998 and 1999. KJM therefore owed, and paid (as a result of this audit) the City \$3,921 in additional license fees and related late charges.

The audit disclosed that KJM could improve its controls over its rental revenue by using prenumbered agreements. Rather than use prenumbered rental agreements, KJM assigned numbers to the agreements after they were signed by the individuals renting the slips, moorings, and boats.

KJM maintained proper insurance coverage, deposited \$7,500 as security with the City, completed the required capital improvements, and paid the City for all water charges, in accordance with the terms of its agreement. However, KJM did not submit income and expense statements to DPR for 1998 and 1999 within 30 days after the close of each business year, did not submit current lists of parking permit holders each year to DPR, and did not seek prior approval from DPR before sublicensing its bait shop to a third party, as required by its license agreement.

To address these issues, the report made seven recommendations to KJM. KJM officials generally agreed with the report and responded that they have or will implement six of the seven recommendations. KJM officials disagreed with the report's recommendation concerning submitting a current list of parking permit holders to DPR. DPR responded that it issued a Notice to Cure to KJM officials requiring them to comply with the report's recommendations. In addition, DPR modified KJM's agreement to exclude the provision requiring that KJM submit a listing of parking permit holders.

## Update

DPR reported that KJM Marina has implemented five of the six recommendations it agreed with, including:



- The value of free dockage provided to KJM Marina's employees is included on its gross receipt statements to DPR, and appropriate fees were paid to the City.
- KJM uses contract agreements that are preprinted with sequentially numbered contracts when it rents slips, moorings, and boats.
- KJM will seek prior approval from DPR before entering into any sublicense with a third party.

KJM has not yet implemented the recommendation to issue agreements sequentially and maintain an inventory of all agreements.

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**DEPARTMENT OF PARKS AND RECREATION (DPR)**

Audit Report on License Fees Due from Gio Art, Inc., and Compliance With Its License Agreement

Audit #FN01-064A

Comptroller's Audit Library # 7205

Issued: April 11, 2001

Monetary Effect: None

**Introduction**

In 1999, the City's Department of Parks and Recreation (DPR) awarded Gio-Art Inc. (Gio-Art) a two-year permit to operate an arts and crafts exhibit each Friday at Columbus Park, Brooklyn. Gio-Art is required to pay the City the greater of minimum annual fees of \$115,000 in Year-1 and \$130,000 in Year-2, or 66 percent of the gross rental fees received from vendors. The permit also requires that Gio-Art deposit \$32,500 as security with the City, maintain the proper types and levels of insurance, with each policy naming the City as an additional insured, and pay all required taxes. From April 1, 1999, through March 31, 2000, Gio-Art reported gross revenues of \$151,600, and paid the City minimum payments totaling \$115,000.

This audit determined whether Gio-Art maintained adequate internal controls over the recording and reporting of its gross revenues; properly reported its total gross revenue to the City, and paid its permit fees due on time;

and complied with certain non-revenue-related requirements of its permit agreement.

### **Results**

Gio-Art did not provide adequate records such as general ledgers, bank deposit slips, bank statements, and copies of receipts from vendors for 1997, 1998, and 2000. As a result, auditors could not determine whether all income was accurately reported to DPR, and whether all required fees were paid to the City.

Gio-Art maintained the required types and amounts of insurance coverage and named the City as an additional insured. Gio-Art also deposited the required \$32,500 as security with the City.

This audit recommended that Gio-Art maintain separate books and records, and retain them for at least six years, as required by the permit, and issue pre-numbered receipts for all payments received from vendors. In addition, the audit recommended that DPR issue a Notice to Cure to Gio-Art officials requiring them to comply with the report's recommendations.

Gio-Art agreed with the audit's recommendations. DPR responded that it issued a Notice to Cure to Gio-Art requiring that it implement the audit recommendations, and that it would conduct a follow-up review in three months to ensure that the recommended record-keeping and internal controls have been implemented.

### **Update**

DPR issued a Notice to Cure to Gio-Art on March 30, 2001. On August 7, 2001, DPR conducted a follow-up review on Gio-Art's operations and determined that all of the audit's recommendations had been implemented.

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**DEPARTMENT OF PARKS AND RECREATION (DPR)**

Audit Report on License Fees Due From Good Service Company, Inc. (West 79<sup>th</sup> Street Cafe), and Compliance With Its License Agreement March 6, 1997, to November 30, 2000

Audit #FN01-065A

Comptroller's Audit Library # 7183

Issued: March 23, 2001

Monetary Effect: Actual Revenue: \$14,479

**Introduction**

In 1997, the City's Department of Parks and Recreation (DPR) entered into a two-year permit agreement with the Good Service Company, Inc. (Good Service) to operate the West 79<sup>th</sup> Street outdoor café at the Rotunda in Riverside Park, Manhattan. The permit was re-bid and renewed for two additional years through April 12, 2001. The permit—for years 1999 and 2000—required Good Service to pay the City \$52,275 and \$55,000 for the respective years, or 9 percent of gross receipts derived from the operation of the café, whichever was greater.

In addition, the permit requires that Good Service maintain personal injury and property damage liability insurance; deposit \$13,750 as security; pay all utilities, including water and electricity; and pay all required taxes.

This audit determined whether Good Service maintained adequate internal controls over the recording and reporting of its gross receipts; properly reported its total gross receipts to the City; and complied with certain non-revenue requirements of the permit. For the period March 6, 1997, through November 30, 2000, Good Service reported revenues totaling \$4,087,628 and paid the City \$327,287 in permit fees.

**Results**

Good Service did not maintain adequate internal controls over the recording and reporting of gross revenue, and it did not provide adequate documentation to support the revenue amounts that it reported to DPR. In addition, Good Service utilizes a stand-alone computerized cash register system; as a consequence, all the registers are not connected to a centralized point-of-sales computerized system. Based on the

available records, the audit tests showed that Good Service did not report revenues totaling \$11,140 to DPR for the years 1997, 1999 and 2000, and over-reported \$205 in revenue for October 1998. Consequently, Good Service owed \$677 in additional fees to the City, which it paid at the exit conference.

Good Service maintained the proper amounts and types of insurance coverage, and it remitted the required security deposit of \$13,750. However, Good Service has not paid for its water and sewer use or for any of its electrical use since the inception of its permit agreement.

This audit recommended that Good Service pay the City \$677 in additional permit fees and pay all outstanding water and electricity charges; that it report all gross revenues; that it maintain adequate books and records, correcting the internal control issues mentioned in this report; and that it install a point-of-sales system. In addition, the audit recommended that DPR ensure that Good Service complies with the recommendations made in this report.

Good Service generally agreed with the audit's findings and recommendations. However, Good Service stated that since it is in the final year of its permit, it would not be feasible to install a \$30,000 point-of-sales system unless the permit was renewed by DPR for at least four years.

DPR responded that it issued a Notice to Cure to Good Service requiring that it implement the audit recommendations. Further, DPR stated that it would expect Good Service to install a point-of-sales register system in the event Good Service is awarded a new permit. DPR added that it has billed Good Service \$13,802 for electricity consumption dating back to March 1997, that Good Service would be back-billed for its water consumption, and that a follow-up review would be conducted in three months to ensure that the recommended internal controls are in place.

### **Update**

DPR reported that all recommendations have been implemented, except the recommended use of a point-of-sales register system, which DPR expects Good Service to install if it is awarded a new permit. Good Service paid the

outstanding balance of \$13,802 in two installments of \$6,901, on March 29, 2001, and on May 3, 2001.

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**DEPARTMENT OF PARKS AND RECREATION (DPR)**

Audit Report on the License Fees from City Ice Sports, Inc. (World's Fair Ice Skating Rink) and Compliance with Its License Agreement October 1, 1999, to September 30, 2000

Audit: FN01-124A

Comptroller's Audit Library # 7253

Issued: June 12, 2001

Monetary Effect: None

**Introduction**

The City, through the Department of Parks and Recreation (DPR), awarded City Ice Sports, Inc. (City Ice) a license to operate and maintain the World's Fair Ice Skating Rink in Flushing Meadows/Corona Park, Queens, from October 1, 1999, to September 30, 2001. The license required that City Ice provide the public with ice-skating facilities, skate-rentals, and vending machines. City Ice is required to pay the City the greater of a minimum annual fee of \$135,250 in year-1 and \$137,250 in year-2, or 15 percent from admission and skate rental fees and 10 percent from ice-rental facility fees. The license also required that City Ice maintain a \$1,000,000 liability insurance policy; deposit \$34,312 as security with the City; and complete certain capital improvements.

The audit objectives were to determine whether City Ice maintained adequate internal controls over the recording and reporting of its gross receipts; properly reported its total gross receipts and calculated and paid the appropriate license fees due to the City; and complied with certain non-revenue-related requirements of its license agreement.

**Results**

For the 1999-2000 operating year (October 1, 1999, to September 30, 2000), City Ice reported gross receipts totaling \$331,690 to DPR, and paid the City \$135,250 in license fees—the minimum. However, City Ice did not provide any documentation for the 1999-2000 operating year that could

be used to trace reported revenue to City Ice's books and records. Consequently, the accuracy of reported gross receipts and fees paid by City Ice could not be verified.

In addition, City Ice circumvented its cash controls over admission and skate-rental revenue, and did not maintain separate books and records and bank accounts for the World's Fair Ice Skating Rink and its different business operations, as required by its agreement. Furthermore, City Ice did not deposit its cash promptly, and did not properly segregate duties for collecting, counting, reconciling, and depositing cash.

The audit made a number of recommendations to improve City Ice's internal controls and its reporting of revenues. In addition, the report recommended that DPR audit City Ice and consider terminating all three of its agreements with the City if it is found that City Ice has not implemented the report's recommendations.

City Ice generally agreed with the audit's findings and recommendations. DPR responded that it agreed with the audit's recommendations and had issued a Notice To Cure to City Ice requiring that it take corrective action to properly record and report revenues, maintain adequate accounting records, and implement internal control procedures. DPR also stated that its internal auditor will review City Ice's operation in three months to ensure that the recommendations have been implemented.

### Update

DPR reported that a Notice to Cure was issued to City Ice on June 5, 2001, to ensure compliance with the audit's recommendations. DPR will schedule a follow-up review of City Ice's operation three months after the opening of the facility.

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**DEPARTMENT OF PARKS AND RECREATION (DPR)**

Audit Report on the Permit Fees from A-1 EZ Parking, Inc., at Cadman Plaza East and Compliance with Its Permit Agreement; March 1, 1999, to February 28, 2001

Audit # FN01-144A

Comptroller's Audit Library # 7268

Issued: June 22, 2001

Monetary Effect: Actual Revenue: \$97,240

**Introduction**

In March 1999, the City's Department of Parks and Recreation (DPR) entered into a 4-year permit agreement with the A-1 EZ Parking, Inc. (A-1 Parking) to operate the Cadman Plaza East parking facility in Brooklyn. The permit required that A-1 Parking pay the City minimum annual fees ranging from \$336,000 in year-1 to \$388,962 in year-4, or 75 percent of its gross receipts, whichever was greater. The permit also required that A-1 Parking maintain certain types and amounts of insurance coverage, make capital improvements to the parking facility totaling \$59,500, and deposit \$97,240 as security with the City.

The audit's objectives were to determine whether A-1 Parking maintained adequate internal controls over the recording and reporting of its gross receipts; properly reported its total gross receipts to the City and paid its permit fees on time; and complied with the non-revenue-related requirements of the permit.

**Results**

For the operating period, March 1, 1999, through February 28, 2001, A-1 Parking reported revenues totaling \$840,125 and paid the City \$665,929 in license and late fees. A-1 Parking had an adequate system of internal controls over the receiving and recording of its cash receipts.

However, A-1 Parking did not pay all of its required permit fees to DPR. Specifically, A-1 Parking did not make an April 30, 1999, minimum monthly payment of \$28,000 in year-1; owed \$4,826 in percentage fees due for operating year-2 based on \$6,435 in revenues that exceeded the minimum-revenue threshold; owed \$1,575 in percentage fees for unreported

parking revenues of \$2,100 from two vehicles over a 6-month period; and did not complete the required capital improvements or, as an alternative, remit the required amount as additional fees to DPR.

Including calculated late charges totaling \$37,549, A-1 Parking owed the City \$131,450 in additional fees and in fees in lieu of making the required capital improvements.

The audit made four recommendations to A-1 Parking, specifically, that it: pay the City \$131,450 in additional fees and late charges, include all revenues on its reported gross receipts statements submitted to the City, pay all its fees due on time, and segregate its bank deposits. The audit also recommended that DPR ensure that A-1 Parking complies with the recommendations made in the audit.

DPR stated that with the exception of the assessed amount pertaining to capital improvements, it agreed with the audit's recommendations. DPR issued a Notice to Cure to A-1 Parking requiring that it pay \$91,597 to the City and implement the audit's other three recommendations. DPR reduced the audit assessment from \$131,450 to \$91,597, adjusting the assessment to allow for capital expenditures totaling \$17,672 that it approved, and waiving the audit's interest charges totaling \$22,181 that was assessed against uncompleted capital improvements. DPR also stated that it would seize A-1 Parking's security deposit if full payment were not received.

A-1 Parking chose not to respond to our audit draft. In addition, A-1 Parking did not pay the \$91,597 that it was required to pay by June 14, 2001.

### Update

DPR reported that it terminated A-1 Parking's license on June 22, 2001, and seized the security deposit of \$97,240.

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**DEPARTMENT OF PARKS AND RECREATION (DPR)**

Audit Report on the License Fees from City Ice Sports, Inc. (Abe Stark Ice Skating Rink) and Compliance with Its License Agreement July 1, 1999, to June 30, 2000

Audit: FN01-145A

Comptroller's Audit Library # 7252

Issued: June 12, 2001

Monetary Effect: None

**Introduction**

The City, through the Department of Parks and Recreation (DPR), awarded City Ice Sports, Inc. (City Ice) a license to operate and maintain the Abe Stark Recreation Facility in Brooklyn, from November 25, 1990, to November 24, 2000. The license required that City Ice provide the public with ice-skating, skate-rentals, and vending machines. City Ice is required to pay the City the greater of a minimum annual fee of \$75,000, or the sum of 20 percent from skate-rental fees, 15 percent from admission fees and ice rentals, and 2 percent of net vending sales —whichever is greater. The license also required that City Ice maintain a \$1,000,000 liability insurance policy and deposit \$16,250 as security with the City.

The audit objectives were to determine whether City Ice maintained adequate internal controls over the recording and reporting of its gross receipts; properly reported its total gross receipts and calculated and paid the appropriate license fees due to the City; and complied with certain non-revenue-related requirements of its license agreement.

**Results**

For the 1999-2000 operating year (July 1, 1999, to June 30, 2000), City Ice reported gross receipts totaling \$421,959 to DPR, and paid the City \$75,000 in license fees—the minimum. However, City Ice did not provide any documentation for the 1999-2000 operating year that could be used to trace reported revenue to City Ice's books and records. Consequently, the accuracy of reported gross receipts and fees paid by City Ice could not be verified.

Moreover, City Ice did not maintain separate books and records and bank accounts for the Abe Stark Rink and its

different business operations, as required by its agreement. Furthermore, City Ice did not deposit its cash promptly, and did not properly segregate duties for collecting, counting, reconciling, and depositing cash.

The audit made a number of recommendations to improve City Ice's internal controls and its reporting of revenues. In addition, the report recommended that DPR audit City Ice and that DPR consider terminating all of City Ice's agreements with the City if it is found that City Ice has not implemented the required corrective actions.

City Ice generally agreed with the audit's findings and recommendations. DPR responded that it agreed with the audit's recommendations and had issued a Notice To Cure to City Ice requiring that it take corrective action to properly record and report revenues, maintain adequate accounting records, and implement the internal control procedures recommended in the audit. DPR also stated that its internal auditor will review City Ice's operation in three months to ensure that the recommendations have been implemented.

### Update

DPR reported that it issued a Notice to Cure to City Ice on June 5, 2001, to ensure compliance with the audit's recommendations. DPR will schedule a follow-up review of City Ice's operation three months after the opening of the facility.

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### **DEPARTMENT OF PARKS AND RECREATION (DPR)**

Audit Report on the License Fees Due from York Avenue Tennis, LLC, and Compliance with Its License Agreement; October 1, 1997, to April 30, 2000

Audit # FN01-149A

Comptroller's Audit Library # 7295

Issued: June 29, 2001

Monetary Effect: Actual Revenue: \$318,780

### Introduction

This audit determined whether York Avenue Tennis, LLC, (York) maintained adequate internal controls over the recording and reporting of its gross operating revenues;

properly reported its total gross revenues and correctly calculated and paid its license fees due to the City; and complied with certain non-revenue-related requirements of its license agreement.

In 1997, the City's Department of Parks and Recreation (DPR) awarded York a 10-year license to provide an indoor tennis facility and a refurbished clubhouse in Manhattan. York is required to pay the City a minimum annual fee or an annual percentage of 10 percent of its gross receipts derived from its operation, whichever is greater. York is also required to make capital improvements to the facility and pay a Design Review Fee to DPR; carry specific types and amounts of insurance; maintain a security deposit with the City; and pay all required utility charges.

### **Results**

For the audit period, York paid the City \$1,094,451 in license fees. However, York improperly deducted "professional fees" that it paid to its tennis pros and instructors from the revenue reported to DPR, which resulted in York owing the City \$326,943 in additional fees and late charges.

York made the required capital improvements and paid the design review fee to DPR, maintained the required security deposit with the City, and maintained the required types and amounts of insurance policies that named the City as an additional insured. However, York did not pay for its water use, as required by its license agreement.

The report recommended that York pay the City \$326,943 for additional license fees and late charges owed; report all gross revenues to the City, including "professional fees," on its annual gross revenue statements to the City; and make arrangements with DEP to install a water meter and pay the City for its water use. The report also recommended that DPR ensure that York complies with the audit's recommendations.

York did not agree that it owes additional fees and late charges to the City. York stated that there was some misunderstanding regarding the terms of the license agreement, and that its submitted proposal allowed for the deduction of professional fees. York further stated that DPR accepted York's proposal without limitation or adjustment, but the agreement was somehow changed when finalized.

With the exception of the amount assessed for \$326,943, DPR agreed with the audit's recommendations and issued a Notice to Cure to York requiring that it pay \$216,135 to the City. DPR stated that it reduced the audit assessment from \$326,943 to \$216,135, waiving the interest assessment. Since previous contracts with York's principals had allowed professional fees to be deducted from gross revenue, DPR believed that York inadvertently misapplied this deduction.

### Update

DPR reported that York has implemented all of the audit's recommendations. On August 24, 2001, DPR agreed with York's proposal to make 12 monthly installment payments, starting on October 2001, to pay an outstanding balance of \$318,780 in fees. In addition, on December 6, 2001, DPR conducted a follow-up review and determined that York has installed a water meter and will pay the City for its water use as soon it receives the bill from DEP.

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### **DEPARTMENT OF PARKS AND RECREATION (DPR)**

Audit Report on the License Fees Due from Fairway Golf Corporation, and Compliance with Its License Agreement; January 1, 1999, to December 31, 1999

Audit # FR00-185A

Comptroller's Audit Library # 7258

Issued: June 12, 2001

Monetary Effect: None

### Introduction

On June 12, 1987, the Department of Parks and Recreation (Parks) granted the Fairway Golf Corporation (Fairway) a 10-year License Agreement to manage, operate, and make improvements to the Mosholu Golf Course and Driving Range, at Van Cortlandt Park in the Bronx. Under the license Fairway was given the right to operate the putting green, the 30-tee driving range, the junior golf course, the golf course, the food facility, the pro shop facilities, and the golf cart rentals. At the end of the 10-year term, Fairway exercised the first 5-year renewal option, which extended the expiration date of the agreement to December 31, 2002.

Under the license agreement, Fairway is required to pay the City annual fees, amounting to the higher of specified minimum annual fees or 10% of its annual gross revenue. During the first 5-year renewal option, the minimum annual fee is \$130,000. The license agreement also requires that Fairway: deposit \$15,000 as security with the City, acquire various fire, casualty, and liability insurance coverage, and, expend a minimum of \$1,035,000 for capital improvements and repairs.

The audit objectives were to determine whether Fairway: maintained adequate control over the recording and reporting of gross revenues; properly calculated gross revenues and fees due to the City, and paid these fees on time; and complied with other aspects of the license agreement (e.g., capital improvements, security deposits).

### **Results**

Fairway maintained adequate control over the recording and reporting of its gross revenues, properly calculated fees due, and paid those fees in a timely manner to the City. In addition, Fairway maintained the appropriate insurance coverage and deposited the required security deposit with the City. Minor errors were found in the amount of gross revenue reported to the City; however, those differences did not result in additional fees due. In addition, Fairway entered into sublicense agreements without obtaining the required approvals from Parks. Furthermore, Fairway and its sublicensees did not maintain adequate records supporting greens fees collected and pro shop and snack bar sales. Finally, Fairway has not met its capital improvement requirement and has not paid for its water use as required by the license.

The report recommended that Fairway: accurately report revenues obtained from its operation of the golf course, including those of the pro shop and snack bar; obtain written approval from Parks regarding the sublicensing arrangements that were made with the pro shop and snack bar operators; maintain, and require that its sublicensees maintain all detailed cash register tapes and other records for the 6-year period stated in the license agreement; complete the \$1,035,000 in capital improvements required by the license; and install a water meter and pay for its water use as required by the license. The report also recommended that

Parks issue a Notice-to-Cure to Fairway requiring that it implement the report's recommendations.

With the exception of completing the required capital improvements, Fairway generally agreed to implement the report's recommendations. Fairway stated that the completion of the required capital improvements is on hold because of the City's plan to build a water filtration plant at the golf course.

Parks' response indicated that with the exception of our recommendation concerning capital improvements, it agreed with the report's recommendations and has issued the report's recommended Notice-to-Cure. With regard to capital improvements, Parks indicated that Fairway was only required to complete \$480,000 worth of improvements, of which Fairway had completed \$230,320. Parks advised that the remaining capital improvements "will be completed by the new operator . . . when the license is assigned, or by Fairway if the assignment transaction does not happen."

### Update

Parks reported that on September 26, 2001, the license to operate the Mosholu Golf Course was formally assigned to First Tee of New York, Inc.

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### **DEPARTMENT OF PARKS AND RECREATION (DPR)**

Audit Report on the License Fees Due from Pars & Strikes of New York, Inc., and Compliance with Its License Agreement; January 1, 1999, to December 31, 1999

Audit # FR01-091A  
Comptroller's Audit Library # 7243  
Issued: June 1, 2001  
Monetary Effect: None

### Introduction

On March 19, 1998, the New York City Department of Parks and Recreation (Parks) granted Pars & Strikes of New York, Inc. (Pars & Strikes) a license to operate an amusement center for the period from January 1, 1998, to November 30, 2005. The amusement center, which consists of a miniature

golf course, a go-cart track, a bumper-car track, a pizzeria-restaurant, and batting cages, is at Arthur Kill Road and Richmond Avenue, Staten Island. Parks approved a sublicense agreement between Pars & Strikes and the Brickhouse Café, Inc., for the operation of the pizzeria-restaurant.

Under the license agreement, Pars & Strikes is required to pay the City a minimum annual fee or 15 percent of its gross receipts derived from the operation of the license, whichever is greater. In 1999, Pars & Strikes reported \$470,783 in gross receipts to Parks, and paid Parks the minimum license fee of \$77,000.

The audit objectives were to determine whether Pars & Strikes: properly recorded and reported its gross revenues and maintained adequate control over cash received; paid the appropriate fees to the City in a timely manner; and complied with other major provisions of the license agreement.

### **Results**

Pars & Strikes generally maintained adequate controls over the recording and reporting of gross receipts, and generally complied with provisions of its license agreement. Although some minor discrepancies were noted in the reported gross receipts for calendar year 1999, they did not result in any additional fees due to the City. Pars & Strikes did not fully comply with some of the non-revenue-related requirements of its agreement pertaining to capital improvements and insurance coverage. Nor did Pars & Strikes obtain written approval when it modified its reporting methods, when it restructured the fees charged to the public, or when it canceled the construction of a laser tag facility that was required by the license.

The report recommended that Pars & Strikes should: expend the remaining \$15,523 on capital improvements; ensure that Brickhouse obtains a Food Handling Certification; ensure that Brickhouse maintains all records to support reported gross receipts; obtain appropriate written approval from Parks for any changes in the operation of the facility that conflict with the terms and conditions of the license, and ensure that its general liability and property damage policy requires that the insurance carrier notify Parks 30 days prior to the cancellation of or change in the policy. In addition, the report recommended that Parks issue a Notice to

Cure to Pars & Strikes requiring that it implement the report's recommendations.

**Update**

Pars & Strikes reported that it has implemented all of the audit's recommendations.

Parks reported that it issued a Notice to Cure to Pars and Strike on May 30, 2001, and will conduct a follow-up review of Pars & Strikes operations in February 2002.

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**AUDIT OF RENTAL CREDITS  
SUBMITTED BY THE NEW YORK YANKEES**

According to the terms of their lease with the City, the New York Yankees are entitled to rental credits based on expenditures made for the electrical and physical maintenance of the Yankees Stadium. The Comptroller's Office performs audits of labor and material expenses based on the terms of the lease and on the time sheets, invoices, cancelled checks, payroll reports, and union contracts submitted by the Yankees and their maintenance contractors.

In fiscal year 2001, we disallowed \$544,896 in rental credits for insufficient documentation, ineligibility of expenses, and errors in calculations. As of June 30, 2001, the Yankees accepted \$199,861 of the disallowance as a New York Yankees cost.

Audit No.	Period Covered	Date Issued	Actual Revenue*	Potential Revenue	Total
FR00-176A	3 <sup>rd</sup> Qtr. 1999	12/22/00	\$ 35,493	\$ 123,697	\$ 159,190
FR00-177A	4 <sup>th</sup> Qtr. 1999	12/22/00	\$ 25,459	\$ 138,844	\$ 164,303
FR01-140A	1 <sup>st</sup> Qtr. 2000	05/18/01	\$ 55,689	\$ -0-	\$ 55,689
FR01-141A	2 <sup>nd</sup> Qtr. 2000	06/20/01	\$ 44,660	\$ 38,783	\$ 83,443
FR01-155A	3 <sup>rd</sup> Qtr. 2000	06/28/01	\$ 38,560	\$ 43,711	\$ 82,271
<b>TOTAL</b>			\$ 199,861	\$ 345,035	\$ 544,896

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**WELFARE FUNDS**

Audit Report on the Financial and Operating Practices of the District Council 37 Benefits Fund Trust; July 1, 1996 - June 30, 1997

Audit # FL00-165A  
Comptroller's Audit Library # 7145  
Issued: December 22, 2000  
Monetary Effect: None

**Introduction**

This audit determined whether the District Council 37 Benefits Fund Trust (Trust) complied with applicable procedures and reporting requirements, as set forth in Comptroller's Directive #12, *Employee Benefit Funds - Uniform Reporting and Auditing Requirements*, as well as its own accounting procedures.

**Results**

The Trust generally complied with the procedures and reporting requirements of Directive #12, as well as its own recording and accounting procedures. In addition, the Trust had adequate internal controls over the recording of revenues and the processing of expenses. The Trust also maintained a sufficient level of reserves. However, the Trust had some weaknesses in its financial and operating practices.

The audit found that certain building-related expenses were not properly allocated between the Trust and the Union. In fiscal year 1997, the Trust and its affiliated funds paid the full cost of maintaining all common areas in the building. Assuming that the cost of maintaining these common areas was divided based on square footage actually occupied throughout the rest of the building by the Trust and the Union, the Union would have paid an additional \$127,165. Also, the Trust improperly calculated the Union's share of data processing costs. Our audit revealed that the Union's share of data processing costs was \$464,706, not \$451,329, as calculated by the Trust. Therefore, the Union owes the Trust \$13,377 for data processing costs incurred in fiscal year 1997.

It was also noted that the Trust incorrectly recorded employees' accumulated severance, sick and vacation pay

liability on its financial records. The Trust used the incorrect hourly pay rates and improperly included building maintenance employees in the calculations. The building maintenance employees should have been included in the calculation of the accumulated severance, sick and vacation pay liability on the separate financial statements that the Trust maintains for the building. As a result, employees' accumulated severance, sick, and vacation pay liability was overstated by \$57,035 on the Trust's financial records and understated by \$99,171 on the books and records maintained for the building.

Finally, rent was not charged to the organization operating a cafeteria in the basement of the building. The audit found that the cafeteria, which occupies approximately 200 square feet of the building's basement and is operated by Anthony & Christina Canteen Corp. (the Corporation), did not pay rent to the Trust in fiscal year 1997. The newsstand, however, which occupies approximately the same amount of square footage on the main floor of the building, paid \$16,363 in rent in fiscal year 1997. In April 1999, the Union began to charge the Corporation a \$250 monthly fee for the space. This monthly charge, which amounts to only \$3,000 a year, is paid directly to the Union. However, the Trust, through the allocation of building-related expenses, pays the full cost of maintaining this space without receiving any portion of the rent.

Consequently, the report recommended that the Benefits Fund Trust's trustees should:

- Recoup \$127,165 from the Union for its share of expenses related to the common areas of the building.
- Ensure that future expenses related to common areas of the building are shared between the Trust and the Union based on square footage occupied by each entity.
- Adjust its books and records to reflect the additional \$13,377 in data processing expenses that should have been charged to the Union in fiscal year 1997.
- Ensure that employees' accumulated severance, sick, and vacation pay liability is accurately recorded on the financial records maintained for the Trust and the building.
- Assess the appropriateness of the rent charged to the Corporation and ensure that it receives an appropriate share of the rent paid.

The Chairman of the Board of Trustees stated in his response that he agreed with the audit's findings and recommendations.

### Update

DC 37 reported that it has implemented all of the audit's recommendations.

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### **WELFARE FUNDS**

Follow-up Audit Report on the Financial and Operating Practices of Board of Elections Local 1183 Communication Workers of America Welfare Fund October 1, 1997 - September 30, 1998

Audit # FL01-084F

Comptroller's Audit Library # 7279

Issued: June 22, 2001

Monetary Effect: None

### Introduction

This audit determined whether the Board of Elections Local 1183 Communication Workers of America Welfare Fund (Active Fund) implemented the nine recommendations made in a previous audit, *Audit Report on the Financial and Operating Practices of Board of Elections Local 1183 Communication Workers of America Welfare Fund, October 1, 1994-September 30, 1995* (Audit # FL98-090A, issued on June 9, 1998); and whether it maintained an adequate level of reserves.

### Results

The previous audit made 9 recommendations to the Active Fund, of which 1 has been implemented, 4 have been partially implemented, 3 have not been implemented, and 1 is no longer applicable. The one recommendation that has been implemented pertains to reissuing the Active Fund's financial statements. The partially implemented recommendations pertain to: developing a CPA selection process in accordance with Comptroller's Directive #12; discontinuing payment of benefit premiums for members of the Board of Elections Local 1183 Communication Workers of America (Union) Retiree Fund (Retiree Fund); obtaining reimbursement for expenses from the

Retiree Fund and the Union; and improving its controls over cash.

The 3 recommendations that were not implemented pertain to: maintaining an up-to-date list of eligible members; competitively bidding its insurance contracts; and, maintaining employee attendance records. The remaining recommendation—submitting its certified financial statements to the Office of Professional Discipline of the New York State Education Department for review—is no longer applicable. The audit repeated those recommendations that were not fully implemented.

Certain audit tests could not be performed because the Active Fund did not provide the necessary records to support reported revenue and expenses. In addition, substantial operating deficits are depleting the Active Fund's reserves. Consequently, the Active Fund's reserves decreased by 32 percent—from \$518,468 on October 1, 1996, to \$352,985 on September 30, 1998. Finally, over the past two years the Active Fund has been late in submitting its Directive #12 filings with the Comptroller's Office.

To address these new issues, the audit recommended that the Active Fund:

- Take immediate action to eliminate its operating deficit, thereby ensuring its financial viability. In that regard, the trustees should evaluate the feasibility of reducing administrative and benefit expenses.
- Maintain all financial records and related supporting documentation for at least seven years.
- Ensure that it submits its Directive #12 filing no later than nine months after the close of its fiscal year, in accordance with Comptroller's Directive #12.

In its response, the Active Fund indicated the steps it will take to address 8 of the 12 recommendations made in this report. These recommendations pertain to its: developing a CPA selection process; obtaining reimbursement of expenses paid that relate to the Retiree Fund and the Union; creating a list of eligible members; competitively bidding insurance contracts; maintaining attendance records; segregating cash receipt functions; eliminating its operating deficit; and submitting its Directive #12 filing on time.

The Active Fund's response did not address the remaining 4 recommendations: not paying benefit premiums for the Retiree Fund; maintaining a complete cash receipts journal; informing the Office of Labor Relations of a check that could not be accounted for during the audit and requesting a replacement check; and maintaining all financial records.

### Update

The Active Fund did not provide follow-up information.

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### **WELFARE FUNDS**

Follow-up Audit Report on the Financial and Operating Practices of Board of Elections Local 1183 Communication Workers of America Retiree Fund October 1, 1997 - September 30, 1998

Audit # FL01-085F

Comptroller's Audit Library # 7280

Issued: June 22, 2001

Monetary Effect: None

### Introduction

This audit determined whether the Board of Elections Local 1183 Communication Workers of America Retiree Fund (Retiree Fund) implemented the six recommendations made in a previous audit, *Audit Report on the Financial and Operating Practices of Board of Elections Local 1183 Communication Workers of America Retiree Fund, October 1, 1994-September 30, 1995* (Audit # FL98-143A, issued on June 9, 1998); and whether it maintained an adequate level of reserves.

### Results

The previous audit made 6 recommendations to the Retiree Fund, of which 1 has been implemented, 2 have been partially implemented, 2 have not been implemented, and 1 is no longer applicable. The one recommendation that has been implemented pertains to reissuing the Retiree Fund's financial statements. The partially implemented recommendations pertain to developing a CPA selection process in accordance with Comptroller's Directive #12, and improving Fund controls over cash. The 2 recommendations that were not implemented

pertain to maintaining an up-to-date list of eligible members, and competitively bidding insurance contracts. The remaining recommendation—submitting its certified financial statements to the Office of Professional Discipline of the New York State Education Department for review—is no longer applicable. The audit repeated those recommendations that were not fully implemented.

Certain audit tests could not be performed because the Retiree Fund did not provide the necessary records to support reported revenue and expenses. In addition, substantial operating deficits are depleting the Retiree Fund's reserves. Consequently, the Retiree Fund has exhausted its reserves and had a negative net asset balance of \$113,263 as of September 30, 1998. Finally, over the past two years the Retiree Fund has been late in submitting its Directive #12 filings with the Comptroller's Office.

To address these new issues, the audit recommended that the Retiree Fund:

- Take immediate action to eliminate its operating deficit, thereby ensuring its financial viability. In that regard, the trustees should evaluate the feasibility of reducing administrative and benefit expenses.
- Maintain all financial records and related supporting documentation for at least seven years.
- Ensure that it submits its Directive #12 filing no later than nine months after the close of its fiscal year, in accordance with Comptroller's Directive #12.

In its response, the Retiree Fund indicated the steps it will take to address 6 of the 7 recommendations made in this report. These recommendations pertain to its: developing a CPA selection process; creating a list of eligible members; competitively bidding insurance contracts; segregating cash receipt functions; eliminating its operating deficit; and submitting its Directive #12 filing on time. However, the Retiree Fund's response did not address the remaining recommendation pertaining to maintaining all financial records.

### Update

The Retiree Fund did not provide follow-up information.

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**WELFARE FUNDS**

Audit Report on the Financial and Operating Practices of the Doctors' Council Welfare Fund; July 1, 1998 - June 30, 1999 (Retiree Fund)

Audit # FL01-094A  
Comptroller's Audit Library # 7173  
Issued: February 27, 2001  
Monetary Effect: None

**Introduction**

This audit determined whether the Doctors' Council Retiree Welfare Fund (Retiree Fund) complied with applicable procedures and reporting requirements, as set forth in Comptroller's Directive #12, *Employee Benefit Funds - Uniform Reporting and Auditing Requirements*.

**Results**

The Retiree Fund generally complied with the procedures and reporting requirements of Directive #12, as well as with its own related procedures. It also had adequate internal controls over the processing and reporting of contributions received and benefit and administrative expenses paid. However, the Retiree Fund had some minor weaknesses in its financial and operating practices.

The audit found that the Retiree Fund spent a larger percentage of its revenues on administrative expenses, compared to other funds of a similar size. During fiscal year 1999, the Retiree Fund spent 20 percent of its revenue on administrative expenses while nine other funds, similar in size to the Retiree Fund, in terms of total revenue, spent an average of only 9 percent of their revenues on administrative expenses. Since a welfare fund's basic objective is to provide benefits to members, it is important that administrative costs are kept to a minimum.

It was also noted that the Retiree Fund did not verify the eligibility of members' dependents. Prior to June 1999, the Retiree Fund did not require its members to submit records, such as marriage or birth certificates, documenting the eligibility of their dependents. Lack of such



documentation prevents the Retiree Fund from ensuring that benefits are provided only to eligible individuals.

Consequently, the report recommended that the Retiree Fund's trustees should:

- Strive to accomplish the Retiree Fund's mission in an efficient and economical manner by bringing administrative costs more in line with those of other funds of a similar size.
- Obtain and maintain copies of all documentation showing the eligibility of dependents.

The Fund's response did not specifically address the report's recommendations. However, the Fund Administrator pointed out that the Active Fund, on its own, implemented a policy of requiring the submission of marriage or birth certificates to verify dependants' eligibility. With regard to the Active Fund's administrative expenses, the Fund Administrator argued that the amount cited in the report incorrectly includes dental claim processing costs. In that regard, he stated that if dental benefits were insured the Comptroller's Office would treat the entire expenditure as a benefit expense. Thus, the Active Fund's administrative expenses would have been reduced by \$12,000. We disagreed with that argument.

### Update

The Retiree Fund reported that it has implemented both recommendations as follows:

- The Fund's Accountant and Fund's Administrator conducted a review of administrative operations and expenses of the Doctors' Council funds. As a result, they recommended that the reimbursement of administrative expenses be reapportioned among all funds. This should result in a decrease in the Retiree Fund's administrative expenses.
- Since July 1999, the Retiree Fund requires copies of marriage certificates, domestic partner registrations, and birth or adoption certificates from all members who file claims for spouse, domestic partner, or dependent children before those claims are processed. Copies of such certificates and forms are kept in the members' files.

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**WELFARE FUNDS**

Audit Report on the Financial and Operating Practices of the  
Doctors' Council Welfare Fund July 1, 1998 - June 30, 1999  
(Active Fund)

Audit # FL01-095A  
Comptroller's Audit Library # 7174  
Issued: February 27, 2001  
Monetary Effect: None

**Introduction**

This audit determined whether the Doctors' Council Welfare Fund (Active Fund) complied with applicable procedures and reporting requirements, as set forth in Comptroller's Directive #12, *Employee Benefit Funds - Uniform Reporting and Auditing Requirements*.

**Results**

The Active Fund generally complied with the procedures and reporting requirements of Directive #12, as well as with its own related procedures. It also had adequate internal controls over the processing and reporting of contributions received and benefit and administrative expenses paid. However, the Active Fund had some minor weaknesses in its financial and operating practices.

The audit found that the Active Fund spent a larger percentage of its revenues on administrative expenses, compared to other funds of a similar size. During fiscal year 1999, the Active Fund spent 15 percent of its revenue on administrative expenses while nine other funds, similar in size to the Active Fund, in terms of total revenue, spent an average of only 9 percent of their revenues on administrative expenses. Since a welfare fund's basic objective is to provide benefits to members, it is important that administrative costs be kept to a minimum.

It was also noted that the Active Fund did not verify the eligibility of members' dependents. Prior to June 1999, the Active Fund did not require its members to submit records, such as marriage or birth certificates, documenting the eligibility of their dependents. Lack of such

documentation prevents the Active Fund from ensuring that benefits are provided only to eligible individuals.

In addition, the audit identified improper benefit payments totaling \$610. Specifically, 4 of 218 claims reviewed were not paid in accordance with the Active Fund's guidelines.

Consequently, the report recommended that the Active Fund's trustees should:

- Strive to accomplish the Active Fund's mission in an efficient and economical manner by bringing administrative costs more in line with those of other funds of a similar size.
- Obtain and maintain copies of all documentation showing the eligibility of dependents.
- Ensure that benefits are paid in accordance with Active Fund guidelines.

The Fund's response did not specifically address the report's recommendations. However, the Fund Administrator pointed out that the Active Fund, on its own, implemented a policy of requiring the submission of marriage or birth certificates to verify dependants' eligibility. With regard to the Active Fund's administrative expenses, the Fund Administrator argued that the amount cited in the report incorrectly includes dental claim processing costs. In that regard, he stated that if dental benefits were insured the Comptroller's Office would treat the entire expenditure as a benefit expense. Thus, the Active Fund's administrative expenses would have been reduced by \$22,000. We disagreed with that argument.

### Update

The Active Fund reported that it has implemented all three recommendations as follows:

- The Fund's Accountant and Fund's Administrator conducted a review of administrative operations and expenses of the Doctors' Council funds. As a result, they recommended that the reimbursement of administrative expenses be reapportioned among all funds. This should result in a decrease in the Active Fund's administrative expenses.

- Since July 1999, the Active Fund requires copies of marriage certificates, domestic partner registrations, and birth or adoption certificates from all members who file claims for spouse, domestic partner, or dependent children before those claims are processed. Copies of such certificates and forms are kept in the members' files.
- The Fund tries to ensure that only those members, spouses, domestic partners, and eligible dependents entitled to benefits actually receive them.

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## **WELFARE FUNDS**

Audit Report on the Financial and Operating Practices of the International Union of Operating Engineers Local 891 Welfare Fund January 1, 1999 - December 31, 1999

Audit # FM00-178A

Comptroller's Audit Library # 7161

Issued: January 26, 2001

Monetary Effect:	Actual Revenue:	\$5,910
	Potential Revenue:	\$4,202

## **Introduction**

This audit determined whether the Fund complied with applicable procedures and reporting requirements as set forth in Comptroller's Directive #12, as well as its own benefit processing and accounting procedures. This audit covered the period January 1, 1999 to December 31, 1999.

The International Union of Operating Engineers Local 891 Welfare Fund (the Fund) was established in 1969 under a Fund Agreement between the City of New York and the International Union of Operating Engineer Local 891. According to the agreement, the Fund provides health, welfare, and legal benefits for all active and retired members and their eligible dependents.

## **Results**

Overall, the Fund's financial statements fairly represent the financial condition of the Fund. In addition, the Fund generally complied with the procedures and reporting

requirements of Directive #12 as well as its own benefit processing and accounting procedures.

However, the audit identified some weaknesses in the Fund's financial and operating practices. Specifically, the Fund incurred operating deficits of \$370,169 and \$515,479 in calendar years 1998 and 1999, respectively, that are depleting the Fund's reserves. In addition, the Fund's catastrophic benefit provider paid \$2,476 in catastrophic benefits to an ineligible person and the Fund made \$1,726 in duplicate payments. Furthermore, the Fund paid \$5,910 in questionable travel expenses, \$545 for purchases of candy and fruit baskets, and \$7,189 in meal expenses. Finally, the Fund made certain errors and omissions on its 1999 Financial Statements and Directive #12 filing.

The audit resulted in eight recommendations. The following is a list of the major recommendations.

The Fund's Trustees should:

- Closely monitor the Funds' revenue and expenses to ensure the Fund's future solvency.
- Ensure that revenues and expenses are recorded accurately on the Fund's financial statements.
- Ensure that all expenses charged to the Fund are appropriate and properly documented.
- Ensure that the Chairman repays the Fund for the \$5,910 in inappropriate travel expenses paid by the Fund. In addition, the trustees should review all travel expenses prior to payment to ensure that only appropriate expenses are paid.
- Ensure that all required information is included in the Fund's Directive #12 filing.

Fund officials agreed with the report's findings and recommendations. They said they had recouped \$5,910 in questionable travel expenses from the former chairman, whom they had replaced. They said they had also retained a new CPA firm and had instituted additional internal controls to ensure that Fund resources are only used to cover legitimate expenses.

**Update**

The Fund did not provide follow-up information.

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**WELFARE FUNDS**

Analysis of the Financial and Operating Practices of Union-Administered Benefit Funds Whose Fiscal Years Ended in Calendar Year 1999

Audit # FM01-072A

Comptroller's Audit Library # 7294

Issued: June 29, 2001

Monetary Effect: None

**Introduction**

This audit analyzed the financial and operating practices of union-administered benefit funds whose fiscal years ended in calendar year 1999. New York City contributed approximately \$701.6 million to the 106 union-administered active, retiree welfare and annuity funds whose fiscal years ended in calendar year 1999. Of the 106 funds, 11 funds received less than 5 percent of their total revenues in City contributions or had substantial revenues not contributed by the City. The audit compared data on the overall financial activities of the remaining 95 union-administered active and retiree welfare, education, and annuity funds. The City contributed approximately \$689 million to those 95 funds during fiscal year 1999.

The benefit funds were established under collective bargaining agreements and declarations of trust between the Unions and the City of New York. Those funds provide City employees, retirees, and dependents with a variety of supplemental health benefits not provided under City-administered health insurance plans. Certain other benefits are also provided at the discretion of the individual funds (e.g., annuity accounts, life insurance, disability, and legal benefits).

**Results**

This is the Comptroller's office's 20<sup>th</sup> report reviewing the financial data submitted by the funds. As in previous

reports, there were differences in the amounts spent by the funds for administrative purposes. In addition, several funds maintained high reserves while expending lower-than-average amounts for benefits—a possible indication that excessive reserves were accumulated at the expense of members' benefits. Further, some Funds did not comply with various areas of Directive #12 requirements and of the fund agreements, for example, delaying members' eligibility for benefits.

The audit made nine recommendations to address the above weaknesses, including that:

- Trustees of funds with high administrative expenses and low benefits should reduce administrative expenses to improve their levels of benefits to members.
- Trustees of funds with low reserve levels should ensure that their funds maintain sufficient reserves to guard against insolvency.

Update: Not Applicable

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## **WELFARE FUNDS**

Audit Report on the Financial and Operating Practices of the House Staff Benefits Plan and Legal Services Plan of the Committee of Interns and Residents; January 1, 1999 to December 31, 1999

Audit # FR01-170A  
 Comptroller's Audit Library # 7284  
 Issued: June 26, 2001  
 Monetary Effect: Not Applicable

## **Introduction**

This audit determined whether the House Staff Benefits Plan of the Committee of Interns and Residents (the Fund)) complied with applicable procedures and reporting requirements, as set forth in Comptroller's Directive #12, as well as with its own benefit processing and accounting procedures.

**Results**

The Fund generally complied with the procedures and reporting requirements of Directive #12, as well as with its own accounting procedures. In addition, the Fund had adequate internal controls over the processing and reporting of contributions received and benefit and administrative expenses paid. However, there were minor weaknesses in the Fund's financial and operating practices. Specifically, the Fund's computerized lists of members contained many duplicate entries, the Fund did not adequately document the amounts it spent on legal services, and made questionable payments totaling \$9,589 for "meeting expenses." In addition, the Fund's financial statements contained a number of errors, and we noted certain weaknesses in the Fund's accounting system.

The report recommended that the Fund's Trustees: review the eligibility database and remove all duplicate entries; maintain adequate supporting documentation for all legal expenses charged to the Fund; maintain adequate documentation for all meeting expenses; and ensure that all expenses are properly recorded on its financial statements.

In its response the Fund stated that it does not believe that duplicate participant names on its eligibility lists pose any problem; that it maintains adequate supporting documentation for legal and meeting expenses charged to it; and that it already properly includes Fund employee benefit costs in its reported administrative costs.

**Update**

The Fund did not provide follow-up information.

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