



**Report To
The Mayor and City Council on
City Comptroller Audit Operations
Fiscal Year 2007**

February 29, 2008

**William C. Thompson, Jr.
Comptroller**

William C. Thompson, Jr.
Comptroller

Deputy Comptroller
John Graham

Director, Management Audit
Edward Carey, Jr.

Director, Financial Audit
Faige Hornung

Special Projects Team
Shakawat Ali
Iris Hinds
Susan Morrison-Goldfine
Nancy Crerar
Michael Leinwand

Report Editors
Milton Garrison
Carol Brownell



**COMPTROLLER OF THE CITY OF NEW YORK
1 CENTRE STREET
NEW YORK, NY 10007-2341
(212) 669-3500**

WILLIAM C. THOMPSON, JR.
COMPTROLLER

February 29, 2008

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

I am pleased to transmit the Charter-mandated report on the New York City Comptroller's audit operations for Fiscal Year 2007. My audit bureaus issued 81 audits and special reports during the fiscal year that resulted in \$7.4 million in actual revenues and savings, \$5.8 million in potential revenues and savings, and called into question another \$23 million associated with claims filed against the City. This annual report contains the significant findings and recommendations of the Comptroller's audit activities during Fiscal Year 2007 and the follow-up actions the auditees identified in response to our audit recommendations.

The City Charter requires that audits conducted by the Comptroller's Office be in accordance with generally accepted government auditing standards promulgated by the Comptroller General of the United States. These standards require that government auditing entities undergo an external quality-assurance review every three years. The last such review of the Comptroller's auditing units was just completed in November 2007. I am pleased to report that the Institute of Internal Auditors concluded that the Comptroller's Office conforms to generally accepted government auditing standards and awarded it the highest rating given for such reviews.

During Fiscal Years 2002 through 2007, my audit bureaus have achieved great success by examining programs with the greatest potential risk of revenue loss, cost overruns, mismanagement, inefficiency, waste, and abuse. In doing so, they have identified millions of dollars in revenue and savings, and have documented many instances of program inefficiency and mismanagement. The 578 audits and special reports issued during those six years have generated a total of \$211 million in actual and potential revenues and savings, and have called into question \$93.5 million associated with claims filed against the City.

The audits issued in Fiscal Year 2007 covered a wide range of subjects, including revenue identification and collection, cost savings, program performance, asset management, internal controls, and information technology.

Revenue and Cost Savings

Brief descriptions of audits that generated the most actual and potential revenue and savings follow:

- An audit of the license agreement of the Central Park Boathouse, LLC (the Boathouse) disclosed that the Boathouse did not accurately report a total of \$2,392,669 in gross receipts to the Department of Parks and Recreation (Parks). As a consequence, since the Boathouse pays the City fees based on a percentage of gross receipts, the auditors determined that the Boathouse owed the City \$381,070 in license fees, plus late charges. The license agreement requires that the Boathouse renovate, operate, and maintain the Boathouse restaurant, café, catering facility, outdoor bar, snack bar, boat, and bicycle rentals, a Park Activity and Resource Center, and a shuttle service in Central Park.
- An audit of the lease agreement of the Staten Island Minor League Holdings, LLC (SI Yankees) covering the operating period January 1, 2005, through October 31, 2006, found that the SI Yankees failed to pay New York City Economic Development Corporation (EDC) a total of \$1,581,154 for reimbursement of electricity use, signage revenue, sinking fund capital contributions, and previous audit assessments levied by the Comptroller's Office. However, on January 4, 2007, at the conclusion of the auditors' fieldwork, the SI Yankees signed a lease amendment and agreed to pay the amount of \$1,427,899 in full settlement of all outstanding balances owed. Of the settlement amount, EDC accepted \$399,185 as satisfaction against all prior audit assessments, and \$1,028,714 in satisfaction of the current audit assessment.
- An audit of the license agreement of First Tee of Metropolitan New York, Inc., (First Tee) to operate and maintain the Mosholu Golf Course and associated facilities (i.e., driving range, snack bar, pro-shop) in Van Cortlandt Park, the Bronx, found that First Tee improperly calculated the amount of revenue that was lost as a result of disruptions caused by construction of a City water treatment plant. First Tee understated its excess gross receipts and could not substantiate lost revenues; accordingly, it was overpaid \$178,801 in reimbursements by the City. Moreover, First Tee admitted that its claims submitted to Parks were not correct. As a consequence, the City may realize from this license agreement an additional \$452,053 in potential revenue and interest due for 2007 to 2012.
- An audit of the Universal Pre-Kindergarten (UPK) payments to non-public schools authorized by the Regional Operation Center (ROC) in Staten Island determined that Department of Education (DOE) does not have adequate internal controls over UPK payments to non-public schools in Regions 6 and 7. These controls are lacking because DOE has not developed formal fiscal review procedures for the ROCs to follow when monitoring and assessing the UPK programs in the schools. As a result, the auditors determined that a total of \$377,621 (12 percent) of the \$3.2 million in UPK payments made by DOE in Fiscal Years 2004 and 2005 to the sampled schools represents overpayments and other inappropriate payments that should be recouped.
- An audit of the administration of the J-51 Tax Incentive Program by the Department of Housing Preservation and Development (HPD) found deficiencies in the system of internal

controls for administering the program. Consequently, HPD improperly approved “certified reasonable costs” for building rehabilitation of \$2.8 million,” which could result in the granting of \$2.6 million in erroneous tax abatements. Under the J-51 program, HPD approves tax exemption and abatement benefits to owners of residential properties who rehabilitate their buildings and to owners of non-residential buildings who convert their buildings to residential use. HPD is responsible for administering the program, verifying eligibility, determining whether the cost of the work is supported, calculating a certified reasonable cost, and issuing certificates-of-eligibility. The auditors found that HPD improperly certified reasonable costs; improperly awarded certificates-of-eligibility to 25 of 56 sampled properties; and has not ensured that required inspections of J-51 rehabilitation and conversion work were adequately conducted.

- An audit of the leasing and rent-collection practices of the Brooklyn Navy Yard Development Corporation (Corporation), a not-for-profit local development corporation, disclosed serious weaknesses in the way the Corporation issues and renews leases and maintains records. In that regard, the Corporation failed to impose the required late fees for 17 of 71 tenants with outstanding rent; did not segregate accounting duties; did not calculate its net operating income in accordance with the lease agreement. In addition, the Corporation did not deposit net operating income for Fiscal Years 2002 and 2003 in a reserve fund for capital improvements, as required. As a consequence, the Corporation owed the City \$2,208,351. Also, the Corporation has no written policies or procedures on leasing, no master list of Navy Yard properties, no list of occupied properties, and no list of spaces available for rent. Although the Corporation maintained some underlying documentation, such as leases, applications, and memorandums of understanding, to support occupancy terms, most of the documentation was incomplete, inaccurate, or obsolete.

Service Delivery and Program Performance

Brief descriptions of audits that disclosed the most significant service-delivery and program-performance issues follow:

- An audit of Pomonok Neighborhood Center, Inc., (Pomonok) determined that it did not comply with its contract with the City because it did not expend funds in accordance with the provisions of its contract. Pomonok is a not-for-profit organization whose services include after-school programs, senior activities, summer camp, crime victim assistance, domestic violence counseling, and housing assistance. During the audit period, Pomonok received funds through state and City contracts, including one with the New York State Office of Children and Family Services, a grant from the City Housing Authority, and five contracts totaling \$597,165 awarded by the City through the Department of Youth and Community Development (DYCD), the Department for the Aging, and the Department of Housing Preservation and Development.

The auditors noted that during Fiscal Year 2004, Pomonok may have made improper payments, totaling \$83,037, to four employees—the Youth Program Director, his daughter, his live-in girlfriend, and his girlfriend’s son. Moreover, the auditors discovered that Pomonok made questionable salary payments totaling \$95,493 to other employees; made questionable payments totaling \$24,469 to its vendors; received \$2,250 in questionable payments from

DYCD; did not properly authorize checks for City-funded programs; and may not have conducted the required number of Board of Directors meetings.

- An audit of the oversight of DOE of the services provided to mainstreamed elementary school special education students found that it is not monitoring, tracking, or documenting the provision of these services in an effective manner. DOE is mandated by the federal Individuals with Disabilities Education Act to ensure that all children with disabilities have available to them a free appropriate public education that emphasizes special education and related services. Documentation maintained by DOE is incomplete, inaccurate, or lacking altogether. Because of these deficient records, DOE could not demonstrate to the auditors the extent to which services were provided, as prescribed by the students' Individualized Education Programs.
- An audit of the controls to minimize the length of time that apartments were held vacant for capital renovation purposes by the New York City Housing Authority (NYCHA) disclosed that controls were not adequate. To facilitate renovations, and for other purposes, NYCHA policy provides for the temporary removal of NYCHA apartments from the rent roll. As of October 13, 2005, there were 3,073 NYCHA units—approximately two percent of all NYCHA-managed apartments—temporarily off the rent roll for capital renovation. NYCHA did not have overall time budgets for completing renovations that addressed the need to minimize the amount of time apartments were kept off the rent roll. A review of vacant apartments at a sample of six developments found that as of October 13, 2005, the 2,107 units that were vacant for capital renovation had been off the rent roll for an average of 40 months. Minimizing the amount of time that apartments were off the rent roll would have resulted in increased revenues from additional NYCHA rental income at a time that NYCHA is in dire fiscal duress.
- An audit of the efficiency of Parks in addressing complaints related to tree removals determined that there were internal control deficiencies in the review of service requests and subsequent inspection reports and work orders. Parks does not ensure that all service requests are recorded in its Tree Manager database, thereby increasing the risk that hazardous tree-related conditions that may result in accidents could be overlooked. Moreover, a review of five randomly selected claims filed against the City that were settled in Fiscal Year 2006 revealed that Central Forestry personnel failed to dispatch work crews to remedy hazardous conditions involved in those claims, although Central Forestry had performed prior inspections noting the conditions.
- An audit of controls over the licensing and oversight of carriage-horses, drivers, carriages, stables, and compliance with applicable rules and regulations of the City of New York determined that the Department of Health and Mental Hygiene (DOHMH) and the Department of Consumer Affairs (DCA) have adequate controls over these functions. However, although the Administrative Code statute relevant to the industry includes a requirement for an Advisory Board to have been established, DOHMH failed to establish the Board. As a result, regulations promoting the health, safety, and well-being of the carriage-horses remain broad and general in scope. The auditors also expressed concern regarding both agencies' efforts in monitoring and overseeing the carriage-horse industry. Both DOHMH and DCA rely on the American Society for the Prevention of Cruelty to Animals (ASPCA) to perform inspections of the horses,

drivers, and carriages in the field, but the ASPCA performs these duties without a formal agreement.

- An audit of the Fire Alarm Inspection Unit (Alarm Unit) of the New York City Fire Department (FDNY) found that the unit does not adequately ensure that requests for inspections of fire alarm systems and the results of inspections are properly recorded and reported, and that the inspections are performed in a timely manner to ensure that safety-related issues are identified and resolved. The Alarm Unit has not developed formal procedures to follow when recording requests for inspections, tracking these requests, conducting inspections, and following up on inspections. Also, the record-keeping practices of the Alarm Unit are inadequate, the Alarm Unit did not meet its informal target for auditing self-certified inspections, and the inspectors of the Alarm Unit are not adequately supervised. (An audit conducted by this office more than 10 years ago identified some of the same findings.)
- An audit of the compliance of Samaritan Village (Samaritan) with its Department of Correction (DOC) contract to operate the Rikers Island Discharge Enhancement (RIDE) program disclosed that Samaritan did not consistently comply with all provisions of the contract. Through RIDE, inmates are referred to aftercare programs that provide family, employment, housing, and substance abuse treatment services. Of the 116 claims reviewed, 46 (40%) did not contain the client's signature or the milestone-completion date. In addition, Samaritan billed DOC twice for 31 deliverables relating to 19 clients who were reincarcerated during Fiscal Year 2006, resulting in an overpayment of \$10,675. The auditors also concluded that DOC's monitoring of Samaritan's performance needs to be improved.

Asset Management and Internal Controls

Brief descriptions of audits of a number of agencies or public entities that identified significant deficiencies in internal controls and asset management follow:

- An audit of the use and assignment of contractor-provided vehicles by the Department of Design and Construction (DDC) found that controls over these vehicles were inadequate. In Fiscal Year 2006, contractors provided DDC a total of 107 vehicles, which cost approximately \$1.4 million, an average of \$1,100 per vehicle per month. The auditors noted that six of the 154 DDC drivers reviewed drove contractor-provided vehicles while having suspended drivers licenses or privileges. Also, six of the eight contractor-provided vehicles assigned to the Technical Support Division were used primarily for commuting rather than work-related purposes, with from 67 percent to 98 percent of the vehicle days devoted exclusively to commuting.
- An audit of the administration of the Billing System Account and Miscellaneous Expense Account (MEA) by the Department of Homeless Services (DHS) determined DHS needs to improve its controls over the administration of these accounts. The payment process leading up to withdrawals from these accounts exhibited several weaknesses, including: a lack of segregation of duties in the Billing unit; a lack of reconciliation of the electronic transfer of funds from the Billing System account to the payments authorized by the Billing Unit; improper processing of payments to be recouped, leading to overpayments of \$10,289 that

were not recouped; inadequate controls over the processing of payments to a non-contractual provider, resulting in an overpayment of \$63,316; poor controls over disbursements made from the MEA account; and a failure to determine which entities require the issuance of 1099-MISC forms for income tax reporting purposes.

- An audit of the internal controls over the processing of violations and collection of fines by DCA determined that DCA did not maintain adequate internal controls over these functions and over its accounts receivable. DCA did not have formal written policies and procedures to comprehensively address and establish standards for all aspects of the adjudication and collection of fines. The lack of strong controls led to operational inefficiencies and procedural weaknesses in the performance of adjudication and collections functions. As of July 29, 2006, the weaknesses in controls contributed to fines totaling \$28.3 million remaining unpaid of the total \$68.5 million assessed and reflected in the DCA computer system for the period January 1, 2000, through July 29, 2006.
- A compilation report of audits of franchise, concession, and lease agreements granted to private organizations by the City determined that these agreements were not adequately monitored by City agencies. Between January 1, 2002, and June 30, 2006, the Comptroller's Office completed 41 audits of entities with City franchise, concession, and lease agreements. These audits resulted in the assessment of \$23,804,840 million in additional revenue due the City. The City has collected \$16,627,231 in revenue as a result of the audit findings, and has the potential to realize an additional \$7,177,609 in outstanding revenue. The compilation report concluded that it is apparent that the agencies do not adequately monitor the parties granted these agreements, as required by the City Charter. Moreover, the results of the majority of the audits raise a question about the attitude of the oversight agencies charged with monitoring the activities of the entities granted these agreements. It appears that as long as these agreements provide revenue to the City, the oversight agencies provide either lax monitoring or no monitoring at all.

Information Technology

All City agencies rely on information technology to help perform the tasks necessary to maintain mission-critical operations. Over the past decade, the City has spent a significant amount of taxpayer dollars on information technology. In light of these developments, I have continued to dedicate a portion of the bureaus' resources to audits of system-development projects. Many of these audits identified computer systems that were developed with excessive cost overruns, missed deadlines, or that simply did not meet agency needs. Brief descriptions of some of these audits follow:

- An audit of the Capital Asset Management System (CAMS) developed by the Department of Citywide Administrative Services (DCAS) could not conclude that CAMS as a finished product meets the overall goals as stated in the system justification, or whether it meets the initial business and system requirements as specified by DCAS. DCAS contracted with Aramark Facility Services, Inc., (Aramark) to provide CAMS, a capital planning and management software system. As part of the contract, DCAS agreed that Aramark could use Vanderweil Facility Advisors, Inc., (VFA) as its subcontractor. VFA was to provide a detailed

and comprehensive facility and infrastructure condition assessment of the 53 public buildings under the custodianship of DCAS, resulting in a database comprising all data collected during this assessment, and a fully operational capital planning and management software system.

Although the auditors noted that the system was operational, they also noted that DCAS has not formally accepted the system as being completed. Further, DCAS did not provide supporting documentation to substantiate the accuracy of the data in CAMS, thus leaving unanswered the potential exposure of DCAS to inaccurate information. VFA currently operates CAMS at the AT&T Internet Data Center in Boston, Massachusetts. However, VFA's disaster-recovery plan is not specific, and documentation of a comprehensive test for disaster recovery was not provided. Moreover, security assessments have not been performed. Also, DCAS representatives did not review the access privileges of individuals employed by VFA who had access to CAMS. Nor did DCAS review VFA operational procedures and controls to ensure they were in accord with acceptable City standards.

- An audit of the Police Department's (NYPD) data center and computer security disclosed that there is adequate physical and computer system security in the data center and that computer operations, as well as contingency plans, have been tested in compliance with applicable Federal Information Processing Standards and City guidelines. However, the auditors noted four control weaknesses that should be addressed: some inactive user accounts have not been disabled or deleted; the uninterruptible power supply lasts only 12 minutes, which may not be a sufficient amount of time for the backup generators to be turned on in the event of a disaster; backup tapes, while stored off-site, are not properly secured in a restricted-access area of the premises; and the Department of Investigation has not reviewed or approved the Internet plan, as required.

I entered office determined to be an activist Comptroller by aggressively using the powers of my office to find new, creative ways to save the taxpayer money and to put our resources to work for all New Yorkers. For the remainder of my tenure as Comptroller, I will continue to deliver on my commitment to maximize revenue while reducing costs and improving the quality of City programs and services.

Very truly yours,

A handwritten signature in black ink, appearing to read "Will C Thompson". The signature is written in a cursive, flowing style.

William C. Thompson, Jr.

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SUMMARY OF AUDIT RESULTS

Actual savings and revenues identified in Fiscal Year 2007 totaled \$ 7.4 million.

Potential cost avoidance, savings, and revenues identified in Fiscal Year 2007 totaled \$28.8 million. It should be noted that these are estimates of what could be achieved if all of the audit and special report recommendations were implemented. Of this \$28.8 million:

- \$5.8 million represents potential cost savings or revenues from a variety of management and financial audit findings.
- \$23 million presents potential cost avoidance resulting from analyses of claims.

The Comptroller's Bureau of Management Audit and Bureau of Financial Audit issued 81 audits and special reports in Fiscal Year 2007. Audits of managerial lump sums and welfare fund payments were also performed.

This report is divided into two sections: one section for audits and special reports of City agencies and public authorities, and one section for audits and special reports covering 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 of the recommendations (as described in the "Audit Follow-up" section of each audit summary) was provided by the auditees in response to our follow-up inquiries.

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ECONOMIC IMPACT OF AUDITS OF GOVERNMENT AND NON-GOVERNMENT AGENCIES
ACTUAL/ POTENTIAL SAVINGS/REVENUE & POTENTIAL COST AVOIDANCE
FROM AUDITS AND SPECIAL REPORTS FOR FISCAL YEAR 2007

| <u>REPORT TYPE</u> | <u>FISCAL YEAR 2007 NUMBER OF REPORTS</u> | <u>FISCAL YEAR 2007 ACTUAL SAVINGS/ REVENUE</u> | <u>FISCAL YEAR 2007 POTENTIAL SAVINGS/ REVENUE(1)</u> | <u>FISCAL YEAR 2007 POTENTIAL COST AVOIDANCE</u> | <u>TOTAL</u> |
|---|--|--|--|---|---------------------|
| Government Agencies | | | | | |
| Audits | 56 | \$5,096,115 | \$4,507,843 | \$0 | \$9,603,958 |
| Managerial Lump Sum Reviews | NA | \$336,050 | \$0 | \$0 | \$336,050 |
| High Risk Voucher Reviews | NA | \$97,032 | \$98,002 | \$0 | \$195,034 |
| Total Government Agencies | 56 | \$5,529,197 | \$4,605,845 | \$0 | \$10,135,042 |
| Non-Government Agencies | 25 | \$1,913,300 | \$1,157,212 | \$22,971,372 | \$26,041,884 |
| Grand Total Government and Non-Government Agencies | 81 | \$7,442,497 | \$5,763,057 | \$22,971,372 | \$36,176,926 |

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

SECTION I
GOVERNMENT AGENCIES

DEPARTMENT FOR THE AGING

Audit Report on the Administration of Imprest Funds by the Department for the Aging

Audit #MD07-057A

Comptroller's Audit Library #7774

Issued: June 13, 2007

Monetary Effect: None

Introduction

This audit determined whether the Department for the Aging (DFTA) complied with Comptroller's Directive #3, "Procedures for the Administration of Imprest Funds." Imprest funds are agency-controlled checking accounts that can be used for small purchases and petty cash transactions. During Fiscal Year 2006, the period covered by the audit, DFTA Imprest Fund expenditures included 783 payments totaling \$76,822. Expenditures for that year consisted of the following three types of payments: 361 vendor payments totaling \$47,361; 372 personal payments totaling \$25,727; and 50 petty cash payments totaling \$3,734.

Results

DFTA generally complied with certain provisions of Comptroller's Directive #3. The major areas of compliance included the following: Imprest Funds were deposited and properly recorded; petty-cash transactions were supported by receipts; expenditures for reimbursement of employee expenses and out-of-town travel were properly approved; petty cash and checkbooks were kept secure; checks were signed by two authorized signatories; bank statements were reconciled and reviewed promptly each month; and all voided and canceled checks were accounted for and recorded on the bank reconciliations.

However, the audit also disclosed areas of noncompliance with other provisions of Comptroller's Directive #3. Those areas included an inadequate segregation of duties over bank reconciliations, the use of incorrect object codes, the underutilization of requirements contracts, late payments, split purchases, and inadequate maintenance of required documents.

The audit made ten recommendations, including that DFTA should:

- Assess its segregation of duties within the Imprest Fund functions and ensure that individuals assigned the task of bank reconciliations are not assigned other Imprest Fund functions.
- Ensure that the correct object codes are used when recording expenditures.
- Ensure that items available through the Central Storehouse and requirements contracts are not purchased through the Imprest Fund.
- Follow Comptroller's Directive #3 and not circumvent the \$250 expenditure limit.
- Ensure that a vendor expense form is filled out by the individual requesting the purchase of goods and services and that it is approved by an authorized individual prior to purchasing the goods and services.

DFTA officials generally agreed with the audit's findings and recommendations.

Audit Follow-up

DFTA reported that all of the audit's recommendations have been implemented.

THE BRONX BOROUGH PRESIDENT'S OFFICE

Audit Report on the Financial and Operating Practices of the Bronx Borough President's Office

Audit #FP06-138A
Comptroller's Audit Library #7761
Issued: June 5, 2007
Monetary Effect: None

Introduction

This audit determined whether the Bronx Borough President's Office (Borough President's Office) complied with certain purchasing and inventory procedures as set forth in the Comptroller's *Internal Control and Accountability Directives* (Comptroller's Directives); applicable Procurement Policy Board (PPB) rules; and the Department of Investigation (DOI) *Standards for Inventory Control and Management*. In addition, the audit determined whether the Borough President's Office maintained controls over cash receipts and discretionary funds expenditures. The scope of the audit was Fiscal Year 2005—July 1, 2004, through June 30, 2005.

Results

The Borough President's Office generally adhered to Comptroller's Directives #3, #11, #23, and #24; applicable PPB rules; and the DOI *Standards for Inventory Control and Management*. Moreover, an examination of the Borough President's Office Other Than Personal Service (OTPS) expenditures disclosed no instances in which moneys were improperly used. However, the Borough President's Office did not always comply with certain purchasing, cash-control, and inventory procedures. Specifically, the Borough President's Office:

- lacked bidding documentation for 1 of its 11 awarded contracts;
- charged the wrong object code for five vouchers, totaling \$6,916;
- lacked supporting documentation for two of the 63 imprest fund checks issued;
- did not deposit cash collected on 391 sales on the same business day it was received;
- did not maintain complete and accurate inventory records; and
- paid \$26.03 in sales tax on two vouchers.

The audit made six recommendations to the Borough President's Office to address these issues.

The Borough President's Office agreed with the report's six recommendations.

Audit Follow-up

The Borough President's Office reported that all of the audit's recommendations are being implemented.

MANHATTAN BOROUGH PRESIDENT'S OFFICE

Audit Report on the Financial and Operating Practices of the Manhattan Borough President's Office

Audit #MD07-064A

Comptroller's Audit Library #7779

Issued: June 26, 2007

Monetary Effect: None

Introduction

This audit determined whether the Manhattan Borough President's Office (Borough President's Office) is complying with applicable payroll, personnel, and purchasing procedures. During Fiscal Year 2006, the period covered by the audit, Personal Service (PS) expenditures for the Borough President's Office amounted to \$3,422,091 and Other Than Personal Service (OTPS) expenditures amounted to \$896,125. The current Borough President took office effective January 1, 2006. His administration processed a total of \$432,389 in OTPS expenditures between January 1, 2006, and July 30, 2006 (using Fiscal Year 2006 funds). The Borough President's Office employed 68 persons from January 1, 2006, through June 20, 2006.

Results

The audit of the Borough President's Office PS and OTPS expenditures disclosed no instances in which monies were improperly used. The office generally complied with Comptroller's Directives #3, #6, #13, and #14. Specifically, it: ensured that employees signed the required Form 319 when picking up their paychecks; reconciled and certified the accuracy of its employees' payroll; ensured that all employees were bona fide; accurately paid employees upon separation from City service; ensured that purchases were generally supported and the amounts paid to vendors were accurately calculated; and complied with Comptroller's Directive #3 regarding imprest fund purchases.

However, the audit found minor areas of deficiency regarding general compliance with City Time and Leave Regulations, Comptroller's Directive #24, and Procurement Policy Board (PPB) Rules. The minor findings included: lack of monitoring of employees' excess annual leave balances, compensatory time balances not used within 120 days from being earned, and undocumented sick-leave use; correct purchasing documents not always used; requisite approvals not always obtained before purchases were made; improper use of miscellaneous vouchers; and bidding not always performed when required.

To address these issues, the audit made 13 recommendations, including that Borough President's Office officials:

- Convert excess annual leave to sick leave by May 1 of each year unless it authorizes the carry-over, in writing, in accordance with City Time and Leave Regulations.
- Ensure that employees use compensatory time within 120 days after it is earned; if it is not used, the Borough President's Office should convert and incorporate compensatory time

into the employees' sick leave balances unless it authorizes the carryover, in writing, in accordance with City Time and Leave Regulations.

- Require employees to provide medical documentation when they exceed the allowable number of undocumented sick leave days.
- Ensure that it complies with Comptroller's Directive #24 and uses the appropriate Purchasing Documents for its purchases.
- Ensure that it uses miscellaneous payment vouchers for only allowable purposes as described in Comptroller's Directive #24.
- Ensure that bids are obtained for purchases over \$5,000, in accordance with PPB Rules, and that all required documentation is maintained in the procurement files.

Borough President's Office officials generally agreed with the audit's findings and recommendations.

Audit Follow-up

The Borough President's Office reported that all of the audit's recommendations have been fully implemented.

STATEN ISLAND BOROUGH PRESIDENT'S OFFICE

Audit Report on the Financial and Operating Practices of the Staten Island Borough President's Office

Audit #MG07-058A

Comptroller's Audit Library #7763

Issued: June 6, 2007

Monetary Effect: None

Introduction

The audit determined whether the Staten Island Borough President's Office (Borough President's Office) is complying with applicable payroll, personnel, purchasing, cash receipts, and inventory policies and procedures. Borough Presidents, elected by the people of each of the five New York City boroughs for a term of four years, are the executive officials of their boroughs. For Fiscal Year 2006, the period covered by the audit, the *Comprehensive Annual Financial Report* of the Comptroller reported that the Borough President's Office expenditures totaled \$3.97 million: \$3.15 million for Personal Service (PS) and \$866,001 for Other Than Personal Service (OTPS).

The Topographical Bureau of the Borough President's Office is responsible for maintaining various records, maps, surveys, topographical data, house and building street-number data, and other related material. For Fiscal Year 2006, the Borough President's Office collected \$175,100 in revenue from its Topographical Bureau fees.

Results

The audit determined that the Borough President's Office generally complied with applicable Comptroller's Directives, leave regulations for managerial and non-managerial employees, Procurement Policy Board (PPB) rules regarding payroll, personnel, purchasing, cash receipts (which are collected in the form of certified checks and money orders), and Department of Investigation's standards regarding inventory activities.

However, the audit disclosed minor weaknesses in the controls over cash receipts collected for Topographical Bureau fees, and in the manner the Borough President's Office recorded newly purchased items on the master inventory list. Also, the Borough President's Office did not document authorizations for several employees to carry excess annual-leave balances and evidenced slight weaknesses in the payroll distribution process.

To address these issues, the audit made the following six recommendations. The Staten Island Borough President's Office should:

- Require the Topographical Bureau staff to stamp all remittance checks immediately upon receipt with a restrictive endorsement stamp.
- Ensure that all cash receipts are deposited in a timely manner.
- Ensure that all items are properly recorded on the inventory master list and that the receiving documents contain the proper identifying numbers.

- Ensure that a properly approved relinquishment form is issued before discarding inventory items.
- Continue to ensure that its employees sign for their payroll stubs.
- Ensure that leave balances are monitored and enforce City leave regulations for managerial and non-managerial employees.

Officials from the Borough President's Office agreed to implement all six audit recommendations.

Audit Follow-up

The Borough President's Office reported that all of the audit's recommendations have been implemented.

CAMPAIGN FINANCE BOARD

Audit Report on the Procurement Practices of the Campaign Finance Board

Audit #MH07-101A

Comptroller's Audit Library #7767

Issued: June 11, 2007

Monetary Effect: None

Introduction

This audit determined whether the Campaign Finance Board (CFB) made Other Than Personal Service expenditures in accordance with applicable Procurement Policy Board (PPB) rules and Comptroller's *Internal Control and Accountability Directives* (Directives). CFB is an independent, nonpartisan agency that administers the Campaign Finance Program, publishes the City Voter Guide, oversees the Debate Program, and ensures compliance with campaign-contribution limits. The period covered by this audit was Fiscal Year 2006 (July 1, 2005, through June 30, 2006).

Results

CFB generally complied with the applicable procurement procedures, as specified in the PPB rules and Comptroller's Directives. However, CFB had two internal control weaknesses that should be addressed: use of split purchases to circumvent procurement polices and a lack of in-house written policies and procedures.

The audit recommended that CFB should:

- Ensure that all applicable PPB rules and Comptroller's Directive #24 are followed when procuring goods and services.
- Consider developing a comprehensive written policies-and-procedures manual that addresses all internal processes and functions regarding procurement, and is distributed to appropriate employees.

CFB officials generally agreed with the audit's recommendations.

Audit Follow-up

The CFB reported that both audit recommendations are being implemented.

ADMINISTRATION FOR CHILDREN'S SERVICES

Audit Report on the Compliance of Seamen's Society for Children and Families with Foster and Child Care Payment Regulations, July 1, 1999–June 30, 2001

Audit #FN06-061A

Comptroller's Audit Library #7746

Issued: September 20, 2006

Monetary Effect: None

Introduction

This audit assessed the adequacy of Seamen's Society for Children and Families (Seamen's) internal controls over expenses, revenues, and days of care; per diem rate payments in effect for Fiscal Years 2000 and 2001; and compliance with State and City payment and reimbursement standards. Seamen's is a not-for-profit organization that provides foster-care services to children in its Foster Boarding Home, Emergency Foster Boarding Home, and Special Needs Foster Boarding Home programs under a contract with the Administration for Children's Services (ACS). Foster care providers are reimbursed for expenses based on a per-diem rate. For Fiscal Years 2000 and 2001, the period covered by the audit, ACS advanced Seamen's \$17,526,026 (\$9,107,362 for Fiscal Year 2000 and \$8,418,664 for Fiscal Year 2001), for providing services to 1,815 individuals in its programs—1,680 in its Foster Boarding Home, 116 in its Emergency Foster Boarding Home, and 19 in its Special Needs Foster Boarding Home.

Results

Seamen's generally complied with promulgated announcements and regulations of the New York State "Standards of Payment for Foster Care of Children" and the City "Foster-Care Reimbursement Bulletin No. 92-5." Seamen's had an adequate system of internal controls over the recording and reporting of its expenses, revenues, and days-of-care. Moreover, Seamen's was reimbursed by ACS for only those expenses appropriately incurred on behalf of its Independent Living Skills Program.

Seamen's, however, is owed \$10,501 by ACS for Fiscal Years 2000 and 2001, resulting from the differences between the advances received from ACS and the expenses incurred to operate the various foster care programs audited. Also, for Fiscal Years 2000 and 2001, Seamen's included \$35,339 in expenses on its "Report of Actual Expenditures DSS-2652" that should not have been charged to its foster-care programs based on the New York State *Standards of Payment for Foster Care of Children* and the City *Foster-Care Reimbursement Bulletin No. 92-5*.

The audit recommended that Seamen's:

- Include only allowable program expenses in its "Report of Actual Expenditures DSS-2652."

In addition, the audit recommended that ACS:

- Remit \$10,501 in additional funding for Fiscal Years 2000 and 2001 to Seamen's.

- Ensure that Seamen's complies with the report's other recommendation.

ACS, which responded on behalf of itself and Seamen's, stated that it will remit \$10,501 to Seamen's and ensure that Seamen's complies with the audit's recommendations.

Audit Follow-up

ACS reported that all of the audit's recommendations are being implemented.

ADMINISTRATION FOR CHILDREN'S SERVICES

Audit Report on Little Flower Children and Family Services Foster Care Contract with the Administration for Children's Services

Audit # ME07-054A

Comptroller's Audit Library #7788

Issued: June 27, 2007

Monetary Effect: None

Introduction

This audit determined whether Little Flower Children and Family Services (LFCFS) complied with the major programmatic provisions of its foster-care contract with the Administration for Children's Services (ACS) and whether LFCFS's days-of-care payment requests to ACS were adequately supported. LFCFS is a social-services agency that delivers services and programs to children, families, and disabled adults in New York City and on Long Island. Family foster care is the largest program at LFCFS. The scope of this audit was Fiscal Year 2006 during which LFCFS provided services to 1,377 foster children in about 600 foster boarding homes. In March 2006, ACS renewed its foster-care contract with LFCFS for three years for a total of \$84.1 million. ACS paid LFCFS \$24.9 million for foster-care services provided during Fiscal Year 2006.

Results

LFCFS generally complied with most of the major programmatic provisions of its foster-care contract with ACS. Family Assessment and Service Plans were completed and included in the foster-child case files, and the foster parents received the required background checks, home inspections, and initial training. In addition, the LFCFS days-of-care payment requests to ACS were adequately supported.

However, there were weaknesses that should be addressed in certain areas. Some foster-child case files lacked evidence that the required contacts and visits to foster children and parents by LFCFS caseworkers were conducted. Moreover, LFCFS did not follow up with those foster parents who did not attend annual refresher training. Finally, for the foster children in our sample, although LFCFS reported to ACS that it was due \$836,116 in administrative-rate and pass-through payments for Fiscal Year 2006, ACS paid LFCFS \$846,910—a difference

of \$10,794. The difference appears to have resulted mostly from a lack of communication between ACS and LFCFS on reimbursement issues.

The audit recommended that LFCFS:

- Ensure that caseworkers consistently document all visits and contacts with foster children and foster parents and maintain those records in the children's case files.
- Provide supervisory oversight to ensure that all required contacts and visits are conducted and documented.
- Follow up on all foster parents who do not attend the annual refresher training to ensure that they attend this required training.

The audit also recommended that ACS ensure that LFCFS receives clear instructions for presenting its reimbursement requests to ACS.

ACS officials generally agreed with the audit's findings and recommendations.

Audit Follow-up

ACS reported that the audit's recommendations have been implemented.

DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES

Audit Report on the Development and Implementation of the Capital Asset Management System By the Department of Citywide Administrative Services

Audit #7A06-112

Comptroller's Audit Library #7803

Issued: June 29, 2007

Monetary Effect: None

Introduction

This audit determined whether the Capital Asset Management System (CAMS) as a finished product meets overall goals as stated in the system justification; meets Department of Citywide Administrative Services (DCAS) initial business and system requirements; has a design that allows for enhancements and upgrades; was developed using a formal system development methodology; functions reliably and has information recorded in its database that is accurate and secure from unauthorized access; and was procured in accordance with City Charter provisions and Procurement Policy Board (PPB) rules. The audit also determined whether DCAS has a CAMS disaster-recovery plan and, if so, whether it has incorporated that plan into the overall DCAS disaster-recovery plans. Audit fieldwork was conducted between March 2006 and August 2006.

DCAS provides overall facilities management, including security, maintenance, and construction services for 53 public buildings; purchases, sells, and leases non-residential real property; and purchases, inspects, and distributes supplies and equipment. On September 1, 2003, DCAS contracted with Aramark Facility Services, Inc., (Aramark) to provide CAMS, a capital planning and management software system. As part of the contract, DCAS agreed that Aramark could use Vanderweil Facility Advisors, Inc., (VFA) as its subcontractor. VFA was responsible for installing and maintaining CAMS. VFA was to provide a detailed and comprehensive facility and infrastructure condition assessment of the 53 public buildings under the custodianship of DCAS, resulting in a database comprising all data collected during this assessment, and a fully operational capital planning and management software system. CAMS is Web-based and is currently installed and maintained by VFA at the AT&T Internet Data Center in Boston, Mass.

Results

VFA followed a formal methodology when it installed CAMS; CAMS allows for future enhancements and periodic upgrades; and DCAS generally complied with the applicable City Charter provisions and PPB rules when procuring the system.

The audit could not conclude that CAMS as a finished product meets the overall goals as stated in the system justification, nor could it determine whether CAMS meets the initial business and system requirements as specified by DCAS. However, the system is operational. Moreover, DCAS has not formally accepted the system as being completed, asserting that the system would be accepted once information in the database is fully reviewed. Further, as DCAS did not provide supporting documentation, the audit could not substantiate the

accuracy of the CAMS data, thus leaving unaddressed the potential exposure of DCAS to inaccurate information.

VFA currently operates CAMS at the AT&T Internet Data Center in Boston; however, the VFA disaster-recovery plan is not specific, and documentation of a comprehensive test for disaster recovery was not provided. Moreover, security assessments have not been performed. Also, DCAS representatives did not review the access privileges of individuals employed by VFA who had access to CAMS, nor did DCAS review VFA operational procedures and controls to ensure they were in accord with acceptable City standards.

The audit made seven recommendations, that DCAS:

- Immediately perform an on-site review of VFA operation to ensure that VFA's policies and procedures comply with Department of Investigation (DOI) Directives.
- Request from VFA the primary elements of the disaster-recovery plan for the CAMS system.
- Ensure that the disaster-recovery plan is tested in accordance with DOI Directives.
- Perform an initial security-risk assessment of CAMS and each year thereafter, or whenever a major change to the system application is implemented.
- Ensure adherence to applicable directives and standards identified during the security-risk assessment process.
- Perform a security-risk assessment of the alternate hosting site, if one is under consideration.
- Create a formal procedure for DCAS and VFA for the periodic review of user privileges to ensure their appropriateness and make corrections as needed.

DCAS officials agreed with five of the seven recommendations. They partially agreed with the first two recommendations, stating that they had addressed these issues through internal controls.

Audit Follow-up

DCAS reported that it has either implemented or is in the process of implementing six recommendations and does not plan to implement one recommendation: DCAS stated that given the small value of the contract, it is difficult to justify the time and money required to perform an on-site review of the VFA operation.

BRONX COMMUNITY BOARDS

Audit Report on the Financial and Operating Practices of the 12 Bronx Community Boards

Audit # FP06-136A

Comptroller's Audit Library #7755

Issued: January 29, 2007

Monetary Effect: None

Introduction

This audit determined whether the 12 Bronx Community Boards (Boards) complied with certain purchasing and inventory procedures as set forth in the New York City Comptroller's *Internal Control and Accountability Directives* (Comptroller's Directives) #3 and #24; applicable Procurement Policy Board (PPB) rules; the *Procedural Guidelines for Community Boards*; and the Department of Investigation *Standards for Inventory Control and Management*; and, if the Boards received funding from non-City sources, whether they accounted for the receipt and disbursement of those funds. The audit covered the period July 1, 2004, through June 30, 2005.

Results

The audit disclosed that the Boards generally adhered to Comptroller's Directives #3 and #24; applicable PPB rules; the Procedural Guidelines for Community Boards; and the Department of Investigation Standards for Inventory Control and Management.

In addition, bids were appropriately obtained for purchases when applicable; imprest fund purchases did not exceed \$250; imprest fund checks had the required authorized signatures, designated specified payees, and had the inscription "void after 90 days"; imprest fund bank accounts were appropriately reconciled; and all major equipment items were on hand and tagged as property of the Board.

Lastly, the examination of the Boards' Other Than Personal Service expenditures disclosed no instances in which moneys were improperly used. However, there were instances in which the Boards did not comply with certain purchasing and inventory procedures, but this did not affect the audit's overall opinion.

The audit made nine recommendations, including that the Boards should ensure that:

- Correct purchase documents are used to encumber funds for the purchase of goods and services.
- Sales tax is excluded from all payments made to vendors.
- Miscellaneous vouchers and imprest fund checks are used only for proper purposes.
- All payments are charged to the correct object code.
- Complete and accurate inventory records are maintained.

The Boards agreed with the report's nine recommendations.

Audit Follow-up

Eleven of the 12 Community Boards reported that most of the audit's recommendations have either been implemented or are in the process of being implemented. Community Board #9 did not provide follow-up information.

QUEENS COMMUNITY BOARDS

Audit Report on the Financial and Operating Practices of the 14 Queens Community Boards

Audit #FP07-093A

Comptroller's Audit Library #7772

Issued: June 13, 2007

Monetary Effect: None

Introduction

This audit determined whether the 14 Queens Community Boards (Boards) complied with certain purchasing and inventory procedures as set forth in the Comptroller's *Internal Control and Accountability Directives* (Comptroller's Directives) #3, #6, and #24; applicable Procurement Policy Board (PPB) rules; the *Procedural Guidelines for Community Boards*; and the Department of Investigation *Standards for Inventory Control and Management*; and if the Boards received funding from non-City sources, whether they accounted for the receipt and disbursement of those funds. The audit covered the period July 1, 2005, through June 30, 2006.

Results

The audit disclosed that the 14 Boards generally adhered to Comptroller's Directives #3, #6, and #24; applicable PPB rules; the *Procedural Guidelines for Community Boards*; and the Department of *Investigation Standards for Inventory Control and Management*.

In addition, imprest fund purchases did not exceed \$250; imprest fund checks had the required authorized signatures, designated specified payees, and bore the inscription "void after 90 days"; imprest fund bank accounts were appropriately reconciled; and all major equipment items were on hand.

Lastly, except for \$642 in expenses related to non-official functions, an examination of the Boards' Other Than Personal Service expenditures disclosed no instances in which monies were improperly used. However, there were instances in which the Boards did not comply with certain purchasing and inventory procedures, but this did not affect the audit's overall opinion.

The audit made seven recommendations, including that the Boards should ensure that:

- Miscellaneous vouchers are used only for purposes that are allowable by Comptroller's Directive #24.
- All payments are charged to the correct object code.
- Complete and accurate inventory records are maintained.

The Boards and the Queens Borough President's Office generally agreed with the report's seven recommendations.

Audit Follow-up

Community Boards #2, #3, #4, #5, #6, #7, #8, #9, #10, #11, 12 and #13 reported that most of the audit recommendations have been implemented. Community Boards #1, and #14 did not provide follow-up information.

STATEN ISLAND COMMUNITY BOARDS

Audit Report on the Financial and Operating Practices of Staten Island Community Boards No. 1, No. 2, and No. 3

Audit #MG07-080A

Comptroller's Audit Library #7766

Issued: June 08, 2007

Monetary Effect: None

Introduction

The audit determined whether the Staten Island Community Boards are complying with applicable payroll, personnel, purchasing, and inventory policies and procedures. There are Community Boards for each of the 59 Community Districts throughout the five boroughs of New York City. Each Community Board has up to 50 non-salaried members who are appointed by the Borough President of the respective borough. For Fiscal Year 2006, the period covered by the audit, the "Comprehensive Annual Financial Report" of the Comptroller reported that Community Board #1 (Board #1) expenditures totaled \$174,997 for Personal Services (PS) and \$55,772 for Other Than Personal Services (OTPS); Community Board #2 (Board #2) expenditures totaled \$173,051 for PS and \$59,167 for OTPS; and Community Board #3 (Board #3) expenditures totaled \$173,777 for PS and \$79,015 for OTPS.

Results

The audit determined that the Boards generally complied with applicable Comptroller's Directives, leave regulations for managerial and non-managerial employees, Procurement Policy Board (PPB) rules, and the Department of Investigation (DOI) "Standards for Inventory Control and Management" regarding payroll, personnel, purchasing, and inventory activities. However, the audit revealed minor weaknesses in the controls over purchasing transactions, including imprest funds, and over the inventory of physical assets.

To address these issues, the audit made seven recommendations including that:

- Board #2 should comply with Comptroller's Directive #3 guidelines related to the use of imprest funds.
- Board #2 should continue to ensure that only those persons authorized actually sign imprest fund checks.
- All three Boards should ensure that expense-reimbursement request forms are submitted by employees and appropriately signed prior to authorizing reimbursements.

Officials from Community Boards #1, #2, and #3 agreed to implement the audit recommendations.

Audit Follow-up

Community Boards #1, #2, and #3 reported that they have either implemented or will implement the audit's recommendations.

NEW YORK CITY COMPTROLLER'S OFFICE

Cost Allocation Plan Fiscal Year 2006

Report: #FM07-068S

Comptroller's Audit Library # N/A

Issued: August 29, 2006

Monetary Effect: None

Introduction

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

The Comptroller's Office review of its own costs resulted in a summary schedule that was sent to the Office of Management and Budget (OMB) for inclusion in the City's Cost Allocation Plan. The schedule indicated, by bureau, the percentage of staff time spent providing services to various City agencies during Fiscal Year 2006.

Results

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

DEPARTMENT OF CONSUMER AFFAIRS**Audit Report on the Department of Consumer Affairs Internal Controls Over the Processing of Violations and Collection of Fines**

Audit #MJ06-113A

Comptroller's Audit Library #7777

Issued: June 18, 2007

Monetary Effect: None

Introduction

This audit determined whether the New York City Department of Consumer Affairs (DCA) maintains adequate internal controls over the processing of violations and collection of fines. DCA administers and enforces the City's Consumer Protection Law, City and State Weights and Measures Laws, City License Laws, and Tobacco Laws. DCA promulgates consumer-protection regulations, investigates deceptive trade practices, conducts administrative hearings, mediates consumer complaints, pursues large-scale litigation, performs research, and educates the public about consumer issues. DCA also licenses more than 60,000 businesses in 55 different industries, ranging from home improvement contractors, electronic stores, and tow companies to sidewalk cafés, newsstands, and locksmiths. The audit covered Fiscal Year 2005 (July 1, 2004, through June 30, 2005).

Results

DCA did not maintain adequate internal controls over the processing of violations and collection of fines and lacks adequate controls over its accounts receivable. Also, DCA did not have formal written policies and procedures to comprehensively address and establish standards for all aspects involved in the adjudication and collection of fines. The lack of strong controls led to operational inefficiencies and procedural weaknesses in the performance of its Adjudication and Collections functions.

These weaknesses contributed to fines totaling \$28.3 million of the total \$68.5 million assessed and reflected in the DCA computer system for the period January 1, 2000, through July 29, 2006, remaining unpaid as of July 29, 2006. Nearly two-thirds (\$18.6 million) of the total unpaid fines as of July 29, 2006, were assessed against unlicensed home-improvement contractors and to a lesser extent unlicensed tow operators and other entities.

Nevertheless, the audit determined that DCA maintained adequate controls to provide reasonable assurance that cash receipts collected for fines were appropriately accounted for, safeguarded, and recorded in the City's financial records. Further, DCA internal controls were adequate to ensure that respondents whose licenses are expired, revoked, or suspended will not be reinstated or renewed while fines remain unpaid.

To address these issues, the audit made 17 recommendations, among them that DCA should:

- Establish controls to ensure that Adjudication and Collections tasks are performed in a consistent, timely, and efficient manner. Those controls should include milestones for the performance of Adjudication and Collections tasks and criteria to measure the efficiency and effectiveness of those tasks. They should also include procedures to ensure that

required information is appropriately and consistently recorded in respondent case records (paper or electronic), and that the status and location of case files are adequately tracked as they move from Adjudication to Collections.

- Ensure that assessed fines imposed by hearing officers or administrative law judges are verified for accuracy prior to the amounts being recorded in the City Agencies Management Information System (CAMIS) and the decision being mailed to the respondents.
- Require the periodic reporting, review, investigation, and resolution of violations and payments to ensure that payments are appropriately posted in CAMIS in a timely manner.
- Comply with Comptroller's Directive #21 by developing procedures to report its accounts-receivable balance monthly, identify or estimate and write-off fines deemed uncollectible, and report its write-off procedures, along with any write-off amounts, to the Comptroller's Office.
- Develop a comprehensive policies and procedures manual that addresses all internal processes and functions throughout the agency, and distribute the manual to appropriate DCA departments and personnel. The manual should be updated periodically to address newly implemented or restated procedures.

DCA agreed with most of the audit's recommendations.

Audit Follow-up

DCA reported that it has implemented eight recommendations and has partially implemented the remaining nine recommendations. DCA reported that it was actively working to establish appropriate controls and procedures where applicable, prepare a comprehensive policies and procedures manual, and develop a write-off policy. DCA also reported that it is currently working to modernize CAMIS and, subsequently, is exploring the functionality of various reporting and processing capabilities.

DEPARTMENT OF CORRECTION

Audit Report on the Samaritan Village Contract with the Department of Correction to Operate the Rikers Island Discharge Enhancement Program

Audit #ME07-059A

Comptroller's Audit Library #7786

Issued: June 26, 2007

Monetary Effect: Actual Savings: \$15,117

Introduction

This audit determined whether the Samaritan Village (Samaritan) complied with the provisions of its contract with the Department of Correction (DOC) to operate the Rikers Island Discharge Enhancement (RIDE) program. The audit also determined the adequacy of DOC's monitoring of its contract with Samaritan. The period covered by this audit was July 1, 2005, through June 30, 2006 (Fiscal Year 2006). In Fiscal Year 2006, Samaritan submitted to DOC a total of 1,077 claims (pertaining to 640 clients) and was paid a total of \$674,006.

DOC provides for the care, custody, and control of persons accused of crimes or persons convicted and sentenced to one year of incarceration or less. One of its objectives is to ensure that inmates have access to rehabilitation programs. Through RIDE, a multi-service program in which inmates are assisted during incarceration and after release, inmates are referred to aftercare programs that provide employment, housing, and substance-abuse treatment services.

Samaritan provides discharge-planning services in the Rikers Island Eric M. Taylor Center, which serves City-sentenced adult males. It offers pre- and post-release assistance designed to support a successful transition from Rikers to the community. It refers clients to aftercare programs that provide a variety of rehabilitation services. Samaritan also provides case-management services and monitors each client's progress toward achieving defined goals.

Results

The audit revealed that Samaritan generally complied with the provisions of its RIDE contract with DOC as they relate to providing services to clients. However, the audit revealed that Samaritan did not consistently comply with the provisions related to obtaining client signatures and providing milestone-completion dates to support its claims for reimbursement. Of the 116 claims reviewed, 46 (40%) did not contain the client's signature or the milestone-completion date. In addition, Samaritan billed DOC twice for 31 deliverables relating to 19 clients who were re-incarcerated during Fiscal Year 2006. As a result, Samaritan overbilled DOC, and this resulted in an overpayment of \$10,675.

The audit also revealed that DOC's monitoring of Samaritan's performance needs to be improved. DOC did not consistently apply its milestone verification standards in relation to obtaining client signatures and milestone-completion dates. Nor did it consistently ensure that Samaritan's monthly statements of deliverables were properly reviewed, that claim disallowances were properly applied to related claims, or that percentage disallowances were applied to an entire audit period as DOC's own policy requires. Finally, Samaritan's Monthly Statement of Deliverables and respective bill attachments, as well as DOC audit reports,

revealed four instances involving a total of \$4,442 in which DOC did not properly review claims, seek recoupment of incorrect payments, or apply a percentage disallowance correctly.

The audit recommended, among other things, that DOC:

- Ensure that Samaritan consistently requires its clients to sign confirmation forms verifying arrival at and continued participation in an aftercare program.
- Ensure that Samaritan consistently requires its aftercare programs to document the date of milestone completion.
- Call aftercare program contact persons for audited claims to verify their signatures on Confirmation of Arrival and Program Participation forms.
- Track milestone claims to ensure that in the case of a client's re-incarceration, it does not pay for milestones relating to the client's prior incarceration for which Samaritan has already received payment.
- Ensure that Monthly Statements of Deliverables are carefully reviewed to prevent double payments for the same claim.
- Ensure that percentage disallowances are applied to the entire audit period as its own policy requires.
- Recoup the total of \$15,117 identified in this audit that was inappropriately paid to Samaritan.

DOC officials generally agreed with the audit's findings and recommendations. However, DOC and Samaritan officials disagreed with the audit finding related to obtaining client signatures on supporting documentation for Samaritan claims. Samaritan officials also disagreed with the audit finding that it had improperly billed for several clients who were re-incarcerated during the fiscal year. Samaritan did not respond to the audit's recommendations.

Audit Follow-up

DOC and Samaritan reported that 11 of the 13 recommendations were implemented. The \$15,117 inappropriately paid to Samaritan has been recouped. However, DOC reported that as of September 30, 2007, Samaritan Village is no longer a provider in the RIDE program.

DEPARTMENT OF DESIGN AND CONSTRUCTION

Audit Report on Controls of the Department of Design and Construction over Contractor-Provided Vehicles

Audit #MH06-130A
Comptroller's Audit Library #7781
Issued: June 26, 2007
Monetary Effect: None

Introduction

This audit determined whether the Department of Design and Construction (DDC) has adequate controls over the use and assignment of contractor-provided vehicles. Some large construction contracts have provisions that provide for one or more vehicles to be used by DDC engineers for the duration of the contract. Those vehicles are registered to the City even though they are owned by the contractors. All expenses related to those vehicles (including insurance, parking, repairs, gas, and maintenance) are considered contractor expenses. In Fiscal Year 2006, the period covered by the audit, contractors provided DDC a total of 107 vehicles, which cost approximately \$1.4 million, an average of \$1,100 per vehicle per month.

Results

DDC has established some controls over the use and assignment of contractor-provided vehicles (including maintaining assignment forms on file, using trip logs to record how vehicles are used, and instituting procedures for assigning vehicles); however, DDC controls over contractor-provided vehicles are inadequate. Six of the 154 DDC drivers reviewed drove contractor-provided vehicles while their licenses or privileges were suspended. Moreover, DDC could not provide evidence that one employee who drove a contractor-provided vehicle had a driver's license. New York State DMV records contained a non-driver ID only for this driver.

DDC lacked copies of current licenses for 25 of the 154 drivers whose files were reviewed. For 20, there was a copy of an expired license on file, and for the other 5 drivers, there was no copy of a license on file. In addition, contractor-provided vehicles assigned to the Technical Support Division were used primarily for commuting rather than work-related purposes. For six of the eight contractor-provided vehicles assigned to the Technical Support Division during Fiscal Year 2006, the percentage of days that they were used exclusively for commuting ranged from 67 percent to 98 percent.

Four (13%) of the 32 engineers in the sample of drivers kept their vehicles at home for a week or more while they were on vacation, making these vehicles unavailable for use by other engineers in the division. DDC also failed to ensure that accurate records were maintained detailing how contractor-provided vehicles assigned to the Infrastructure Division were used; and drivers did not complete their trip-logs in accordance with DDC procedures.

The audit made eight recommendations, including that DDC should:

- Update and review its manual files to ensure that all DDC drivers have valid and up-to-date driver's licenses.

- Follow up more effectively upon notification by DMV that employee licenses have been revoked or suspended, and take appropriate action—either by having those employees correct their license status or by suspending the employees’ driving privileges.
- Better utilize the contractor-provided vehicles assigned to Technical Support.
- Establish a written policy that clearly incorporates procedures for assigned vehicles when an engineer is planning to be away for a week or more, and distribute this policy to all drivers.
- Require that Infrastructure Division drivers complete trip-logs as required.

DDC officials generally agreed with the audit’s findings and recommendations.

Audit Follow-up

DDC reported that all of the audit’s recommendations have been implemented.

BRONX COUNTY DISTRICT ATTORNEY'S OFFICE

Audit Report on the Other Than Personal Service Expenditures of the Bronx County District Attorney's Office, July 1, 2004–June 30, 2005

Audit # FN06-092A

Comptroller's Audit Library #7760

Issued: June 5, 2007

Monetary Effect: None

Introduction

This audit determined whether the Bronx County District Attorney's Office complied with certain purchasing and inventory procedures for Other Than Personal Service (OTPS) expenditures as set forth in the Comptroller's *Internal Control and Accountability Directives* (Comptroller's Directives) #1, #3, #6, and #24; Procurement Policy Board (PPB) rules; City Financial Management System (FMS) accounting policies and procedures and related bulletins; the Comptroller's "Fiscal Year-End Closing Instructions" for June 30, 2005; and other applicable OTPS and inventory guidelines.

The OTPS expenditures of the Bronx County District Attorney's Office during Fiscal Year 2005, the period covered by the audit, amounted to \$3,008,089.

Results

The Bronx County District Attorney's Office generally complied with City FMS accounting policies and procedures, Comptroller's Directives, and its own policies and guidelines for processing purchase and contract documents and payment vouchers. However, there were exceptions of noncompliance. Moreover, the Bronx County District Attorney's Office did not comply with certain PPB rules pertaining to intergovernmental and small purchases. Specifically, the Bronx County District Attorneys' Office: did not pre-encumber funds for purchases of more than \$5,000; improperly used miscellaneous vouchers; did not use requirement contracts; improperly made purchases through a Health and Hospitals Corporation contract; did not substantiate prevailing market prices; split purchases of more than \$5,000 to circumvent the required bidding process; paid invoices that did not correlate to the respective purchase documents; and used incorrect object codes. These issues were not sufficiently material to detract from the auditors' overall opinion.

The audit made seven recommendations, including that the Bronx County District Attorney's Office should ensure that:

- It processes requisitions to pre-encumber funds and estimate liabilities prior to receiving vendor invoices.
- It uses miscellaneous vouchers appropriately.
- Procurements for more than \$5,000 are not artificially divided, and that five vendors are solicited for purchases reaching that threshold.

Bronx County District Attorney's Office officials generally agreed with the audit findings and recommendations and described the specific steps that it has taken to address the exceptions noted in the report.

Audit Follow-up

The Bronx County District Attorney's Office reported that it is currently implementing the audit's recommendations.

DEPARTMENT OF EDUCATION

Letter Report on the Audit of the Processes for Reviewing and Approving Lump-Sum Payments for Unused Leave Time of Pedagogical Managers

Audit #FP06-069A

Comptroller's Audit Library #N/A

Issued: October 4, 2006

Monetary Effect: None

This report was distributed on a limited basis to Department of Education personnel only on October 4, 2006.

DEPARTMENT OF EDUCATION

Follow-Up Audit Report on Other Than Personal Service Expenditures of Schools within the Department of Education Regional Operations Center for Regions 9 and 10

Audit #FS07-077F

Comptroller's Audit Library #7801

Issued: June 29, 2007

Monetary Effect: None

Introduction

This follow-up audit determined whether the Department of Education (DOE) implemented the 10 recommendations made in a previous audit entitled *Audit Report on Other Than Personal Service (OTPS) Expenditures of Schools Within Regional Operations Center for Regions 9 and 10* (Audit No. FP05-076A, issued May 4, 2005).

The earlier audit determined whether DOE procurement policies and procedures were followed for purchases of goods and services made by schools in Regions 9 and 10 that required Regional Operations Center (ROC) approval. That audit found that the officials of the ROC and schools in Regions 9 and 10 generally did not follow DOE's procurement policies and procedures for purchases that required ROC approval. Purchase files lacked evidence of competitive bidding when required; vendor invoices were not always on file; files lacked justification for purchases made using the sole-source method of procurement rather than obtaining bids; and files did not always contain documentation showing that the goods and services paid for were actually received.

In addition, the previous audit cited Park West High School for using funds in its budget to purchase equipment on behalf of another school—Seward Park High School—which is a violation of the DOE “Standard Operating Procedures Memorandum, No. 2-06, OTPS Purchases” (the SOP). The follow-up audit covered Fiscal Year 2006.

Results

Of the 10 recommendations made in the previous audit, the current audit determined that DOE implemented four recommendations, partially implemented four recommendations, and did not implement two recommendations. The recommendations that have not been addressed by DOE include: ensuring that all goods are delivered and services are rendered before payment of invoices; providing written justification for all sole-source purchases; reviewing specific documentation before approving such purchases; and obtaining the approval of the Executive Director of the Division of Contracts and Purchasing (DCP) for sole-source purchases, as prescribed by the SOP.

The current audit found that weaknesses still exist in the ROC's compliance with the requirements of the SOP pertaining to exception from competitive bidding procedures. Specifically, schools and the ROC are not ensuring that purchases made using the "sole-vendor" and "exception to bid" purchase method are adequately supported and appropriately approved. There were also weaknesses in the internal controls over purchases at the school level that resulted in a school splitting purchases to circumvent the approval requirements for purchases exceeding a monetary threshold and in schools reporting inaccurate certification of delivery information.

The audit made three recommendations, that DOE:

- Adequately review purchase orders and their related documentation prior to approving purchases on DOE's FAMIS system to ensure that schools comply with the procurement requirements of the SOP governing exceptions to competitive bidding; that schools do not circumvent the approval process; and that the purchase method indicated on the purchase order is adequately supported.
- Ensure that schools accurately certify the receipt of goods or services before payment.
- Implement procedures to ensure that the above recommendations are implemented.

DOE officials agreed with 5 of the 10 classifications made in this report and agreed to implement the report's three recommendations.

Audit Follow-up

DOE reported that it has implemented one recommendation. DOE stated that since July 2007, the ROCs were dissolved and many of the ROC functions, including invoice payment, were transferred to newly-formed, borough-based Integrated Service Centers (ISCs); therefore, the remaining recommendations have become the responsibilities of the ISC.

DEPARTMENT OF EDUCATION

Follow-up Audit Report on the Other Than Personal Services Expenditures of Schools within the Department of Education Regional Operations Center for Region 3 and District 75

Audit #FS07-102F

Comptroller's Audit Library #7799

Issued: June 29, 2007

Monetary Effect: None

Introduction

This follow-up audit determined whether the Department of Education (DOE) has implemented the four recommendations made in a previous audit entitled *Audit Report on Other Than Personal Services Expenditures of Schools within the Department of Education Regional Operations Center for Region 3 and District 75* (Audit No. FP05-077A, issued May 4, 2005). This audit covered Fiscal Year 2006.

The earlier audit determined whether DOE's Other Than Personal Services (OTPS) procurement policies and procedures were followed for purchases of goods and services made by schools in Region 3 and District 75 that required Regional Operations Center (ROC) approval. In that audit, the auditors determined that the officials of the ROC and schools in Region 3 and District 75 generally followed DOE procurement policies and procedures for purchases that require ROC approval. However, there were instances of noncompliance with DOE procedures relating to the sole-source method of procurement for certain purchases. Specifically, the purchase files lacked justification letters; payments were made prior to the delivery of goods and services; and purchases were made prior to being approved.

Results

The current audit disclosed that DOE implemented three of the four recommendations made in the previous audit. However, auditors could not determine whether one other recommendation was implemented because the purchases reviewed (which comprised the entire population) did not exceed the monetary threshold that would require the approval of the Administrator of the Office of Purchasing Management. However, Regions 3 and District 75 instituted an internal control checklist to ensure that the procedures were followed.

This follow-up audit also noted that one school in District 75 appeared to have split purchases to circumvent the approval requirements for purchases exceeding \$5,000, the monetary threshold that would require ROC approval for those purchases. There was one instance in which the school issued two purchase orders to the same vendor.

The audit made one recommendation, that DOE ensure that schools do not avoid the approval process by splitting the value of purchases. DOE generally agreed with the findings and the recommendation of this audit.

Audit Follow-up

DOE reported that the audit recommendation has been implemented.

DEPARTMENT OF EDUCATION

Audit Report on Department of Education Controls over Universal Pre-Kindergarten Payments To Non-Public Schools in Regions 6 and 7

Audit #MD05-072A

Comptroller's Audit Library #7756

Issued: March 21, 2007

Monetary Effect: Actual Savings: \$ 44,595

Potential Savings: \$333,026

Introduction

This audit determined whether the Department of Education (DOE) had adequate controls over Universal Pre-Kindergarten (UPK) payments to non-public schools in Regions 6 and 7. Payments are authorized by the DOE Regional Operation Center (ROC) in Staten Island.

In 1997, the State Legislature created and funded a UPK program for children who become four years of age by December 31 of the school year in which they enroll, at no charge to parents. The UPK program was designed to provide comprehensive early-childhood education to children through nurturing environments and curricula that promote creative expression and cognitive, linguistic, physical, cultural, and social development. The program can be offered in non-public schools as well as in public schools. DOE's six ROCs provide fiscal support to schools and programs in the 10 DOE Regions.

During Fiscal Year 2004, DOE had UPK contracts with 583 non-public schools to provide services to an estimated 30,967 children at an estimated total cost of \$97,317,114. In Regions 6 and 7 specifically, DOE had UPK contracts with 183 non-public schools to provide services to an estimated 9,043 children at an estimated total cost of \$28,332,694. The scope period of the audit was Fiscal Year 2004 through Fiscal Year 2005.

Results

DOE does not have adequate internal controls over UPK payments to non-public schools in Regions 6 and 7. Many of the issues cited in the audit would have been avoided had DOE developed formal fiscal review procedures for the ROCs to follow when monitoring and assessing the UPK program in the schools. A total of \$377,621 (12 percent) of the \$3.2 million in UPK payments made by DOE in Fiscal Years 2004 and 2005 to the schools in the audit sample should be recouped, representing: overpayments caused by DOE's not adhering to the method of calculating UPK payments stated in the DOE contract; unspent UPK funds; and unsupported and questionable Other Than Personal Service expenditures. An additional \$407,322 in questionable bank statement activities was also identified.

The audit did note, however, that DOE did not duplicate payments for any student; schools properly deposited all funds received for the UPK program; class sizes observed did not exceed 20 children; and all UPK educational employees were bona fide.

The audit made 24 recommendations, including that DOE officials should:

- Develop and implement written fiscal review procedures for the ROCs to follow and monitor when assessing the UPK program.

- Ensure that they adhere to the provisions of the UPK contracts with non-public schools when determining payments. If the method for determining payments changes, the contracts need to be amended.
- Recoup the UPK overpayments made during Fiscal Year 2005 to the six schools in the sample.
- Recoup the \$97,586 identified in this audit as expenditures that are not supported by the records of the non-public schools cited.
- Recoup the \$56,659 identified in the audit as expenditures that were either not related to the UPK program or were not reasonable for the non-public schools cited.
- Investigate the questionable bank activities cited, totaling \$407,322, and if warranted, recoup the moneys.
- Investigate the conditions cited at Children’s Playhouse and, depending on the results of the investigation, consider terminating its UPK contract.

DOE officials generally did not agree with the audit’s findings and recommendations. Nevertheless, DOE has taken steps to correct many of the issues identified in the report and to enhance the monitoring of the fiscal activities of the UPK program. The response indicates that DOE has either already recouped or will recoup a total of \$51,717 in UPK funds identified in the audit as inappropriate payments.

Audit Follow-up

DOE reported that it has reorganized the management of the UPK programs this school year. The Office of Early Childhood Education focuses almost exclusively on UPK responsibilities and is liaison to the New York State Education Department. The five new UPK borough offices, each led by a Borough Director, integrate program and contract staff. However, DOE reasserted that it continues to disagree with the audit’s findings and recommendations and that it has recouped \$44,595 of the money recommended for recoupment by the audit.

DEPARTMENT OF EDUCATION

Audit Report on the Monitoring and Tracking of Special Education Services for Elementary School Students by the Department of Education

Audit #MD06-073A

Comptroller’s Audit Library #7802

Issued: June 29, 2007

Monetary Effect: None

Introduction

This audit determined whether DOE adequately monitors, tracks, and documents the services provided to mainstreamed elementary school special education students.

DOE is mandated by the federal Individuals with Disabilities Education Act to ensure that all children with disabilities have available to them a free appropriate public education that emphasizes special education and related services. Special education is specially designed individualized or group instruction, special services, or programs provided at no cost to the parent to meet the unique needs of students with disabilities. The audit covered the 2004-2005 School Year (September 2004–June 2005).

Results

DOE maintained complete and current documentation for each of the 89 students in the audit sample with regard to the justification for the performance of an evaluation and the recommendation of special education services. However, DOE is not monitoring, tracking, or documenting the provision of these services in an effective manner, as shown by documentation that is incomplete, inaccurate, or lacking altogether. The records for all of the 89 students in the sample who were mandated to receive services during the 2004-2005 School Year had some type of deficiency, including no attendance forms (all student records lacked at least one form) and missed sessions with no make-ups (87 percent of the sampled student records requiring make-up sessions). In addition, the review of the special education attendance records that DOE was able to provide found incomplete information and conflicts with general education attendance records. Due to those deficient records, DOE could not demonstrate the extent to which services were provided as prescribed by the students' Individualized Education Programs (IEPs).

To address these issues, the audit made nine recommendations, five of which are listed below. DOE should:

- Develop and enforce written formal policies and procedures to ensure that services are provided according to the provisions of each student's IEP.
- Develop policies to ensure that all attendance forms and summaries are maintained as evidence of services provided.
- Ensure that providers fill in all required information on the special education attendance forms and sign the forms as certification of the delivery of services.
- Ensure that supervisory review of attendance records is performed and documented.
- Institute a control (e.g., periodically reconcile special education attendance forms with general education attendance forms) to help ensure that the days that services are provided are accurately recorded.

In their response, DOE officials agreed with six of the nine audit recommendations. Nevertheless, DOE officials disagreed with the audit findings as well as with the methodology used to derive those findings.

Audit Follow-up

DOE reported that it has either implemented or is in the process of implementing the audit recommendations with which it agreed.

NEW YORK CITY BOARD OF ELECTIONS

Audit Report on the Development and Implementation of the S-Elect Project by the Board of Elections

Audit # 7A06-111

Comptroller's Audit Library #7753

Issued: December, 2006

Monetary Effect: None

Introduction

This audit determined whether the New York City Board of Elections (Board) development and implementation of the S-Elect Project supports the Board's election and poll-worker activities and provides a framework for the eventual integration of all Board applications. These new systems would replace the Candidate Processing and Rotation/Entry and Certification of Official Election Results (CPR/ENCORE) and Poll Worker Election Administration System (EASY) mainframe applications. Fieldwork was conducted between March 2006 and July 2006.

Results

The Board, having successfully handled the 2005 election events using the new systems, has completed the S-Elect Project. Therefore, as a finished product, S-Elect met the overall goals as stated in the system justification. The system also met its initial business and system requirements; and the design of the system allows for enhancements and upgrades. Further, a formal system development methodology was followed in developing the system; S-Elect functions reliably; and information recorded in the database is accurate. The Board procured S-Elect in accordance with the provisions of the City Charter and the Procurement Policy Board rules. However, the Board has not incorporated written security procedures into the Board's policies and procedure manual for S-Elect. The absence of such policies exposes the system to unauthorized access. Also, the Board has not included S-Elect in its disaster-recovery plan or arranged for an alternate processing site. In that regard, the lack of these policies and plans increases the likelihood that the system will be vulnerable to unauthorized access, abuse, theft of equipment, and the loss of mission-critical information, especially in the case of a disaster.

The audit made three recommendations, that the Board:

- Develop written policies and procedures for tracking system users and terminating user IDs for long-inactive users and for former employees, periodically review the status of inactive user accounts, and terminate access when appropriate.
- Ensure that the various duties of the administration of the S-Elect system are segregated and an appropriate backup system is in place in accordance with DOI Directives.
- Create an overall disaster-recovery plan that includes S-Elect, conduct a comprehensive test of the plan, and schedule annual tests, as required by DOI Directives.

Audit Follow-up

The Board reported that it has implemented two recommendations and is in the process of implementing a disaster recovery plan. The Board stated that a full disaster recovery plan has been developed and is being tested at the central office.

DEPARTMENT OF ENVIRONMENTAL PROTECTION

Audit Report on Department of Environmental Protection Controls over the Issuance and Depletion of Credits from Its Reimbursable Metering Program

Audit #MG07-060A

Comptroller's Audit Library #7782

Issued: June 26, 2007

Monetary Effect: None

Introduction

The audit determined whether the Department of Environmental Protection (DEP) has adequate controls in place to accurately issue and deplete Reimbursable Metering Program (RMP) credits.

Introduced in the early 1990s, RMP allows owners of residential properties to have a Licensed Master Plumber of their own choosing rather than a Plumber assigned by DEP install their water meters as well as automatic meter reading (AMR) equipment. The RMP unit issues RMP and AMR credits, generally ranging from \$450 to \$4,700, to the property owner's account to reimburse the property owner for the cost of installation. The credits are applied to outstanding and future water and sewer bills unless property owners request a refund. Since its inception, more than 16,000 meters have been installed under this program. The audit covered Fiscal Year 2006.

Results

The audit determined that DEP generally issues and depletes RMP credits in accordance with the RMP guidelines of May 1, 2005. Applications from refunds and AMR credits were properly processed and posted to customer accounts. The audit found that in Fiscal Year 2006, DEP issued at least 618 RMP credits totaling \$601,545.

However, internal controls need to be improved because the RMP unit, which consists of one individual, is responsible for reviewing, approving, and posting credits. This individual's work is not reviewed, nor is the individual required to periodically inform management of the dollar amount of credits approved. While the audit found only minor errors and no indication of any improprieties, this situation could allow inaccurate or improper credits to be issued.

To address these issues, the audit made three recommendations. DEP should:

- Ensure that there is an independent review of all credits posted on the Customer Information System (CIS) by the RMP Unit.
- Ensure that the RMP Unit provides management with periodic reports of operational and financial data.
- Consider adding functionality to CIS to allow it to capture and identify credit type and the specific individual who authorized it.

DEP officials agreed to implement all three audit recommendations.

Audit Follow-up

DEP reported that two recommendations are in the process of being implemented and the remaining recommendation will be implemented with a new billing system.

DEPARTMENT OF FINANCE

Audit Report on the Financial Controls over Cash Receipts at the Department of Finance Business Centers

Audit #MJ07-097A

Comptroller's Audit Library #7768

Issued: June 11, 2007

Monetary Effect: None

Introduction

This audit determined whether the Department of Finance (DOF) maintains adequate financial controls over cash receipts collected at its six Business Centers.

DOF assesses the values of all City properties, maintains property records, administers business income and excise taxes, and oversees the operations of the Parking Violations Bureau. It is also responsible for the efficient collection of taxes and other revenue due the City. DOF operates six walk-in Business Centers—two in the Bronx and one in each of the other four boroughs—that provide services and accept payments for parking violations, red-light camera traffic fines, property taxes, water charges, etc. According to DOF, during calendar year 2006, the Business Centers collected \$4.8 billion. The scope of the audit was December 1, 2006, through March 31, 2007.

Results

DOF maintains adequate financial controls over cash receipts collected at its six Business Centers. These controls generally adhere to and comply with Comptroller's Directives #1 and #11. DOF maintained adequate segregation of duties over the handling, processing, and reconciliation of cash receipts. Further, the cash receipts, totaling \$43.1 million, collected by 39 cashiers on the days of observations by auditors at particular centers, were appropriately reconciled and found to be accurate, timely, and complete.

Regarding other related matters, DOF had no formal written policies and procedures to cover all aspects of the cash collections and reporting functions. In addition, while DOF has general and technical controls in place to protect NYCServ data and ensure the availability of system services, the agency does not have a formal business continuity and disaster recovery plan for NYCServ. (NYCServ is an electronic processing system that consolidates DOF payment systems with various City agencies' mainframe systems.)

While these conditions did not detract from the audit's overall opinion regarding the controls over cash receipts at the Business Centers, they did increase the risk that DOF may not be adequately prepared to respond to a major disaster or unplanned disruption of NYCServ and other mission-critical DOF system operations. To address these issues, the audit made two recommendations, that DOF should:

- Ensure that written policies and procedures for each work unit involved in cash collections (i.e., Payment Operations, Reconciliation Unit, etc.) comprehensively document and address the various processes, controls, and levels of responsibility. The written policies and procedures documentation (e.g., manual) should be distributed to appropriate DOF

departments and personnel and be updated periodically to address newly implemented or restated procedures.

- Develop and periodically test a formal Business Continuity Plan-Disaster Recovery Plan (BCP-DRP) to ensure that NYCServ and other agency mission-critical applications are adequately protected in the event of a disaster or unplanned disruption in operating capabilities. The BCP-DRP should incorporate plans for an alternative processing facility, Business Center recovery strategies, and written backup and off-site storage procedures.

Audit Follow-up

DOF reported that it has implemented one recommendation and partially implemented the remaining recommendation. DOF will evaluate and implement planning for the NYCSERV disaster recovery site during 2008 that is expected to be put in place during 2009.

NEW YORK CITY FIRE DEPARTMENT

Audit Report on the New York City Fire Department's Administration of Its Bank Accounts

Audit #FM06-131A

Comptroller's Audit Library #7765

Issued: June 8, 2007

Monetary Effect: None

Introduction

The audit determined whether the New York City Fire Department (FDNY) properly administers its private bank accounts in accordance with applicable rules and regulations. City agencies are permitted to establish private bank accounts to maintain funds apart from the City's general fund. In order to do so, agencies must obtain approval from the Department of Finance and comply with its procedures. In addition, agencies must register the accounts with the Comptroller's Bureau of Accountancy and comply with Comptroller's Office annual reporting requirements.

The FDNY administers the following 10 private bank accounts: Main Imprest Fund, Local Buildings Repair Program, Repairs and Transportation, Firehouse Expense Fund, OITS Travel Advance, the Commissioner's Medal Fund (Medal Fund), Fire Prevention Fund, Health and Hospital Corporation (HHC) Capital Corporation Account, FDNY Miscellaneous Accounts, and the Life Insurance Fund. The accumulated ending balance for those 10 bank accounts as of June 30, 2006, was \$3,088,375. The audit covered the period July 1, 2004, through June 30, 2005.

Results

The FDNY generally administered its 10 bank accounts in accordance with applicable rules and regulations and Comptroller's Directives. However, the audit identified minor exceptions within the Main Imprest Fund, for which controls could be improved. Specifically, the FDNY improperly allocated to the fund \$2,391 for transportation-related expenditures (e.g., \$206 for out-of-service vehicle repairs, and \$196 for tire replacement). Those funds should be disbursed from the Repairs and Transportation account. In addition, the FDNY improperly processed a recurring monthly reimbursement of \$45 (totaling \$540 for Fiscal Year 2006) for Internet access. This does not comply with Comptroller's Directive #3.

Notwithstanding the FDNY's general compliance with applicable rules for bank accounts, it should consider establishing a fiduciary account within the City's Financial Management System to replace its Medal Fund, so as to enhance the controls over the funds deposited in this account. Comptroller's Directive #27 permits agencies to establish accounts in a custodial capacity, to be used for a specific purpose as prescribed by the agency or the donor. By maintaining these funds in a City fiduciary account, the FDNY can ensure that its internal control mechanisms and financial accountability are consistent with those in effect for all City agencies.

The audit made three recommendations, that the FDNY should:

- Classify expenditures appropriately, using the proper imprest fund account.

- Comply with Comptroller's Directive #3 and discontinue reimbursements for Internet access.
- Consult with the Comptroller's Bureau of Accountancy on the establishment of a fiduciary account, within the City's Financial Management System, to replace the Medal Fund account.

FDNY officials agreed with the report's findings and stated that it will implement two of the three recommendations and "will consider the feasibility of establishing a fiduciary account, within the City's Financial Management System, to replace the Medal Fund account."

Audit Follow-up

The FDNY reported that all of the audit's recommendations have been implemented.

NEW YORK CITY FIRE DEPARTMENT

Audit Report on Fire Department Controls over the Inspection of Fire Alarm Systems

Audit #MH07-063A

Comptroller's Audit Library #7807

Issued: June 29, 2007

Monetary Effect: None

Introduction

This audit determined whether the Fire Alarm Inspection Unit (Alarm Unit) of the New York City Fire Department (FDNY) has adequate controls over the inspection of fire-alarm systems to ensure that requests for inspections and results of inspections are properly recorded and reported, and that the inspections are performed in a timely manner. The audit scope period was Fiscal Year 2006.

The FDNY Bureau of Fire Prevention (the Bureau) is responsible for conducting inspections of fire-alarm systems at occupied residential and commercial properties throughout the City. The Alarm Unit reported that it conducted a total of 5,601 fire alarm system inspections in Fiscal Year 2006, with an average of 467 inspections per month.

Results

The Alarm Unit does not adequately ensure that requests for inspections of fire-alarm systems and the results of inspections are properly recorded and reported, and that the inspections are performed in a timely manner to ensure that safety-related issues are identified and resolved. It should be noted that an audit conducted by our office more than 10 years ago identified some of the same findings. The Alarm Unit has not developed formal procedures to follow when recording requests for inspections, tracking those requests, conducting inspections, and following up on inspections. Neither does the Alarm Unit have a reliable system for tracking

requests for inspections and actual inspections conducted by the Alarm Unit. The audit also found that the record-keeping practices of the Alarm Unit are inadequate, that the Alarm Unit did not meet its informal target for auditing self-certified inspections, and that the inspectors of the Alarm Unit are not adequately supervised.

The audit made 17 recommendations, including that FDNY officials should:

- Immediately take steps to address the approximate 3,200 accounts for which Letters of Defect and Violation Orders were issued and never followed up to ensure that all safety-related issues that have been identified are resolved.
- Immediately take steps to reduce the backlog of outstanding inspection requests that are more than three weeks old to determine whether the fire-alarm systems are operating as intended and are in compliance with City regulations.
- Develop and implement written procedures for the Alarm Unit to follow. The procedures should include the steps that the Alarm Unit needs to take to ensure compliance with the City Charter and City Administrative Code.
- Create a tracking system that would effectively monitor the inspection process for the Alarm Unit from the date inspection requests are submitted to the date inspections are conducted and Letters of Approval issued. The system should also be set up to identify whether the Alarm Unit is adhering to established time frames.
- Ensure that the Alarm Unit develops a sound internal control structure over its record-keeping and storage practices. All records pertaining to the inspection process should be maintained accurately and in an organized manner.

In their response, FDNY officials agreed with 15 of the 17 recommendations. They disagreed with the recommendation to create a tracking system to monitor the Alarm Unit inspection process and the recommendation that cabinets containing the inspection files of Letters of Defect and Violation Orders be locked at all times.

Audit Follow-up

The FDNY reported that it has implemented 14 recommendations, partially implemented one recommendation, and was not able to implement two recommendations. The FDNY has identified and processed 1,300 of the 3,200 accounts for which Letters of Defect or Violation Orders were issued and never followed up for reinspection. However, the FDNY stated that the reinspection process has been slow due to lack of staff. Similarly, the FDNY did not implement the remaining two recommendations for reducing the backlog of outstanding inspection requests and segregating the reviewing of Request Forms due to lack of staff.

DEPARTMENT OF HEALTH AND MENTAL HYGIENE

Audit Report on Cash Accountability and Controls at the Department of Health and Mental Hygiene Office of Vital Records

Audit #ME06-059A

Comptroller's Audit Library #7747

Issued: September 25, 2006

Monetary Effect: None

Introduction

This audit determined whether the Department of Health and Mental Hygiene (DOHMH) had adequate cash control practices in its Office of Vital Records (OVR) during Fiscal Year 2005. DOHMH programs and activities include: providing health information and laboratory services; inspecting, permitting, licensing, and monitoring a wide range of enterprises related to public health; and maintaining the City's health-related vital statistics. OVR registers and issues birth and death certificates.

OVR is composed of five units: the Public Service Office (PSO), the Corrections unit, the Registration unit, the Records Management unit, and the Customer Relations unit. PSO is responsible for issuing birth certificates on the spot as well as for processing, in the Cash Management System (CMS), fees collected by other OVR units (Corrections and Registration). PSO has five subunits: the Cashiering unit, the Mail Reading unit, the Credit Card unit, the Search unit, and the Customer Service unit. PSO prints short-form birth certificates, Records Management copies long-form birth and death certificates, and Registration issues original death certificates.

In Fiscal Year 2005, according to the transactions recorded in the CMS system, OVR collected about \$12 million in revenue from the issuance of birth and death certificates.

Results

OVR had adequate controls over the registration and issuance of certified copies of death certificates and burial permits at the Registration unit. In addition, monies collected by OVR units were deposited in the bank in a timely manner.

However, OVR cash controls had several weaknesses. The audit concluded that OVR needs to improve its internal controls over transactions processed through its Cashiering, Mail Reading, Credit Card, Corrections, and Records Management units. The identified weaknesses included weak record-keeping practices, inadequate controls over blank certificates used for short-form birth certificates, inadequate tracking of long-form copies of vital records, inadequate controls over the handling of fee waivers during in-person transactions, and weak cash management practices. As a result, OVR had limited assurance that it had collected all the money that it was due for the issuance of certificates.

To address these issues, the report recommended, among other things, that DOHMH:

- Ensure that applications processed in the CMS system are properly maintained to account for all the certificates issued and revenue collected.

- Ensure that supervisors reconcile daily the number of blank short-form certificates used according to the Computer Terminal Daily Worksheet (CTDW) forms completed by OVR operators and the number of certificates issued according to the CMS system.
- Establish a procedure for reconciling the long-form copies of certificates issued by the Records Management unit to the applications processed by the CMS system to ensure that copies are only issued for certificates processed by the Cashiering, Mail Reading, and Credit Card units.
- Revise the fee-waiver approval form to specifically ask for information on the reason for the fee waiver and on the evidence that was provided to justify the waiver.
- Ensure that the supervisor who prepares deposits and does the final reconciliation does not process any applications in CMS during the same day.

In its response, DOHMH agreed with six recommendations, partially agreed with two recommendations, and disagreed with three recommendations.

Audit Follow-up

DOHMH reported that it has implemented or is in the process of implementing the six recommendations with which it agreed and that it partially implemented two recommendations. It continues to disagree with the remaining three recommendations. DOHMH asserts that all application data are properly maintained, and that it will not revise the fee-waiver approval form or reconcile fee-waiver information in CMS with the fee-waiver approval forms signed by supervisors.

DEPARTMENT OF HOMELESS SERVICES

Audit Report on the Department of Homeless Services Administration of Its Billing System and Miscellaneous Expense Accounts

Audit #ME07-073A

Comptroller's Audit Library #7808

Issued: June 29, 2007

Monetary Effect: Actual Savings: \$10,289

Potential Savings: \$63,316

Introduction

This audit determined whether the Department of Homeless Services (DHS) adequately administered its Billing System account and Miscellaneous Expense Account (MEA). The period covered by this audit was July 1, 2005, through June 30, 2006 (Fiscal Year 2006).

DHS is responsible for providing emergency shelter and social services to homeless families in the City. The services are designed to help homeless families gain self-sufficiency and move from temporary to permanent housing. There are three types of family and adult shelter providers: contractual providers, non-contractual providers, and shelters directly operated by DHS. The contractual providers are paid through the Citywide Financial Management System (FMS). Non-contractual providers are paid through the Billing System account. DHS uses the Client Tracking System (CTS), the Shelter Care Information Management System (SCIMS), and the Housing Emergency Referral Operation (HERO) system to record and track the services provided to homeless clients.

Homeless shelters bill DHS to recover the costs incurred in providing these services. During Fiscal Year 2006, DHS maintained three active bank accounts, including the Billing System account, the MEA account, and an Imprest Fund bank account. The audit focused on the first two accounts. The Billing System account is the largest DHS account and is used to pay per diem homeless shelter providers through electronic funds transfers. The total amount paid to the providers through this account during Fiscal Year 2006 was \$120,043,627. The MEA is a bank account that is used to replenish imprest funds that were established for shelters that are directly operated by DHS. Fiscal Year 2006 MEA bank account payments amounted to \$977,453.

Results

The audit found that DHS has adequate controls in terms of deposits to and withdrawals from the Billing System and MEA accounts. DHS also has established accounting systems to record, track, and store transactions made through its Billing System account, and the DHS Billing unit, which processes per diem family provider payments, compares shelter invoices to homeless family records stored in CTS prior to initiating payments through this bank account.

However, DHS needs to improve its controls over the administration of its Billing System and MEA accounts. The payment process leading up to withdrawals exhibited several weaknesses. The deficiencies include a lack of segregation of duties in the Billing unit; a lack of reconciliation of the electronic transfer of funds from the Billing System account to the

Billing unit's authorized payments; a failure to properly process recoupments, leading to overpayments of \$10,289 not being recouped; and a lack of controls over the processing of payments to the one non-contractual provider for adults. This resulted in an overpayment of \$63,316; a lack of controls over disbursements made from the MEA account; and a failure to determine which entities require the issuance of 1099-MISC forms for income tax purposes.

To address these issues, the audit recommended, among other things, that DHS:

- Ensure that the Director of the Billing unit approves the final payment file to be sent to the bank account custodian for the electronic transfer of funds to providers.
- Intensify its efforts to enter into contracts with its per diem providers.
- Establish a process to ensure that all electronic transfers of funds to per diem providers match the amounts authorized by the Director of the Billing unit.
- Establish procedures and computer controls to ensure the proper processing of recoupments.
- Recoup the \$10,289 in overpayments identified in the audit.
- Ensure that the determination of overpayments for the one non-contractual provider for adults is based on actual rather than allowable expenses and recalculate the closeout statement for Fiscal Year 2006.
- Require the one non-contractual provider for adults to provide invoices and supporting documentation for all claims.
- Ensure that its directory of imprest fund custodians who receive MEA checks is regularly updated to reflect changes in authorized personnel.
- Report its payments to 1099-reportable per diem providers in a format acceptable to the Financial Information Services Agency.

Audit Follow-up

DHS reported that 15 recommendations have been implemented, 3 recommendations are in the process of being implemented, 1 recommendation is no longer applicable, and the remaining recommendation would not be implemented. DHS has recouped the \$10,289 in overpayments identified in the audit. However, DHS decided to officially close the St. James Shelter and removed it from the Billing System on November 15, 2007.

NEW YORK CITY HOUSING AUTHORITY

Audit Report on the Timeliness of the Renovation of Vacant Apartments by the New York City Housing Authority

Audit #ME06-055A
Comptroller’s Audit Library #7744
Issued: July 13, 2006
Monetary Effect: None

Introduction

The audit determined whether the New York City Housing Authority (NYCHA) had adequate controls to minimize the length of time that apartments were held vacant for capital renovation purposes. The period covered by this audit was June 1990 through December 2005.

NYCHA’s goal is to provide decent and affordable housing for low- and moderate-income City residents. It strives to maintain a safe and secure living environment for its public-housing residents by rehabilitating and modernizing its buildings and units. To facilitate renovations and for other purposes, NYCHA policy provides for the temporary removal of apartments from the rent roll. As of October 13, 2005, NYCHA had 3,552 units temporarily off the rent roll—approximately two percent of all NYCHA-managed apartments. Of these, 3,073 (87%) were off the rent roll for capital renovation purposes.

Results

The audit revealed that during the period reviewed, NYCHA generally did not have adequate controls in place to minimize the length of time that apartments were held vacant for capital renovation purposes. NYCHA did not have overall time budgets for completing renovations that addressed the need to minimize the amount of time apartments were kept off the rent roll. As a result, apartments remained vacant for longer periods than necessary. A review of vacant apartments at a sample of six developments undergoing large-scale capital renovations found that as of October 13, 2005, the 2,107 units that were vacant for renovation purposes had been off the rent roll for an average of about 40 months. The implementation of overall time budgets would have helped ensure that residents were not relocated for periods longer than necessary and would have helped make apartments available in a more timely manner for applicants on waiting lists for public housing. In addition, minimizing the length of time that apartments were off the rent roll would have resulted in increased revenues for NYCHA due to additional rental income. During the course of this audit, NYCHA officials outlined certain initiatives that they stated the agency has implemented to facilitate better planning and coordination of its capital projects.

The audit recommended that NYCHA:

- Establish time budgets or goals for the completion of its capital renovation projects. These time budgets should apply to every stage of the process, including the design, contract, tenant-relocation, and construction stages.

- Designate a management entity responsible for monitoring the entire process of tenant relocation and building renovation to ensure that established time budgets or goals are followed as much as possible.
- Evaluate its project-cost-estimation practices and, if necessary, implement additional controls to ensure that cost estimates of capital renovation projects adequately reflect the scope and quality of work to be performed.
- Coordinate the removal of apartments from the rent roll and the relocation of tenants with the established time budgets for capital renovation projects so that the time that apartments are kept vacant and off the rent rolls is minimized.

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

Audit Follow-up

NYCHA reported that all of the audit's recommendations are being implemented.

DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT

Audit Report on the Department of Housing Preservation and Development's Administration of The J-51 Tax Incentive Program

Audit Number: FR06-067A

Comptroller's Audit Library #7757

Issued: March 22, 2007

Monetary Effect: Potential Savings: \$2,857,075*

Introduction

This audit determined whether the Department of Housing Preservation and Development (HPD) is ensuring that properties meet J-51 program requirements; whether improvement work is eligible and completed in a timely manner; and whether all required documentation is submitted.

Under the HPD J-51 program, owners of residential properties who rehabilitate their buildings, and owners of non-residential buildings who convert their buildings to residential use, can obtain tax-exemption and abatement benefits. HPD is responsible for administering the program, verifying eligibility, determining whether the cost of the work is supported, and calculating a "certified reasonable cost." HPD issues a certificate-of-eligibility to property owners that meet program requirements. (The Department of Finance is responsible for implementing benefits granted under the program.) The audit scope was Fiscal Years 2004 and 2005. In Fiscal Year 2004, the program provided \$189.1 million in tax benefits.

Results

While the sampled applications consisted of project types that qualified for inclusion in the J-51 program and applicants performed eligible work, there were deficiencies in HPD's system of internal controls for administering the program. Specifically, HPD did not ensure that all required documentation was submitted and that applications for final benefits and subsequent submissions were made within required time frames. As a result, it improperly certified reasonable costs totaling \$2,546,300 and improperly awarded certificates-of-eligibility to the 25 properties associated with those applications.

In addition, HPD incorrectly calculated the certified reasonable cost in 21 percent of the sampled properties. As a direct result of the certified reasonable costs being incorrectly computed, the fees that applicants were charged were also incorrect.

Moreover, HPD has not ensured that required inspections of J-51 work are adequately conducted. Its files lacked evidence that 7 of 51 required inspections were conducted. Of the 44 required inspections that were conducted, problems were found in 10 cases (23%) and in one additional property that HPD inspected although an inspection was not required. As a result, HPD improperly certified reasonable costs totaling an additional \$310,775.

*The total amount of certified reasonable costs that the Department improperly calculated (i.e., \$2,546,300 plus \$310,775), is the basis for granting applicants tax benefits. Therefore, if the Department does not readjust its calculations, over the next 20 years the City may improperly grant applicants' tax abatements totaling at least 90 percent of this amount (i.e., \$2,571,367.50), plus an indeterminate amount in tax exemptions.

Finally, there were problems with some of the procedures for auditing J-51 applications, and discrepancies between the Rules of the City of New York (Rules) and HPD's procedures.

The audit made 15 recommendations, including that HPD:

- Ensure that appropriate staff are instructed in program policies and Rules.
- Process applications and award certificates-of-eligibility within HPD's five-month time frame, and ensure that work inspections are conducted promptly after applicants submit final applications.
- Implement internal controls to ensure that required inspections are adequately conducted and supervised and instruct inspectors to identify and disqualify improperly installed work.
- Review the applications discussed in the report to ensure their eligibility for J-51 benefits. Adjust the certified reasonable costs for the cases cited in the report, and advise the Department of Finance about any changes that would affect J-51 benefits.
- Record and properly maintain all supporting documentation in its files. Computerize certified reasonable cost calculations.
- Develop sufficient procedures for auditing applications and train auditors in their use.

Audit Follow-up

HPD reported that 13 recommendations have either been implemented or are already agency practice, that 1 recommendation is in the process of implementation, and that the remaining recommendation will not be implemented. HPD disagrees with and will not implement the recommendation to audit applications for completeness and on-time submission. It stated that the J-51 Audit Unit audits the J-51 benefit to ensure that the certified reasonable costs are verified and reasonable based on the "Itemized Cost Breakdown Schedule."

HUMAN RESOURCES ADMINISTRATION

Audit Report on the Human Resources Administration's Employment Services and Placement Efforts for Public Assistance Recipients

Audit #ME06-071A

Comptroller's Audit Library #7775

Issued: June 18, 2007

Monetary Effect: None

Introduction

This audit determined the effectiveness of the Human Resources Administration's (HRA) monitoring of its employment-service vendors. The period covered by this audit was July 1, 2004, through June 30, 2005 (Fiscal Year 2005).

HRA is responsible for helping individuals and families achieve and sustain their maximum degree of self-sufficiency. To fulfill this mission, HRA provides a broad range of programs and services, including public assistance, food stamps, job training and employment services.

In March 1998, HRA began converting its welfare offices into job centers. Job centers are intended to meet emergency and temporary financial needs, while supporting the efforts of those applying for (or on) public assistance (PA) to obtain employment and achieve financial independence. The job centers refer PA clients to vendors who train them and help them search for employment. During Fiscal Year 2005, HRA had two types of employment vendors for PA clients: Skill Assessment and Job Placement (SAP) vendors and Employment Services and Placement (ESP) vendors. The SAP and ESP vendors were paid for the services they provided, including: helping clients find jobs, be retained on jobs for up to 13 or 26 weeks, or obtain high wages or wages sufficient to eliminate the need for public assistance. In addition, HRA approved Individual Training Account (ITA) vouchers for qualified PA recipients in the ESP program to be trained for particular jobs (e.g., computer technician).

HRA budgeted approximately \$22,243,000 for SAP contracts and approximately \$24,341,000 for ESP contracts in Fiscal Year 2005.

Results

Although HRA's monitoring of its employment-service vendors had some positive features, it also had several significant weaknesses. HRA had a system of vendor-performance evaluation and also had several computer systems to record and track information related to the employment services its vendors provided to participants. In addition, HRA properly approved ITA applications, and the Regional Education Center for Economic Development of the City University of New York (HRA's contractor) generally implemented adequate controls in the processing of ITA claims from training providers.

However, HRA's monitoring of the performance of its employment-service vendors was insufficient. Although HRA had a system of contract monitoring in place, it did not consistently follow its own procedures to ensure that vendors complied with the terms of their contracts. The Office of Contract Monitoring (OCM) did not conduct the required number of evaluation visits to vendors and did not require corrective-action plans for some deficiencies

cited in its evaluation reports. Moreover, HRA often did not follow up in a timely manner to ensure that vendors implemented their corrective-action plans. Insufficient HRA monitoring of vendor performance contributed to the provision of substandard employment services to PA clients and limited the number of eligible clients placed and retained in jobs.

Moreover, HRA did not consistently ensure that vendors provide adequate documentation to support their claims. The audit's review of 73 assessment, engagement, placement, retention, and high-wage payments totaling \$72,522 found that there was insufficient evidence to support 18 payments totaling \$18,653 (26% of the amount paid).

To address these issues, the audit made 20 recommendations, among them that HRA:

- Ensure that OCM conduct the required number of evaluation visits to each vendor each year.
- Ensure that OCM requires corrective-action plans for all deficiencies found during visits to vendor sites.
- Ensure timely follow-up reviews of all deficiencies cited by OCM in its vendor-evaluation reports.
- Ensure that assessment and engagement claims submitted by vendors are reviewed and approved by HRA staff members based on adequate supporting documentation for each claim submitted.
- Ensure that employment verification forms submitted by employment-service vendors include the required employer's seal or stamp, the client signature, and the hours worked per week.
- Ensure that PA recipients meet the requirements for high wages before making bonus payments to vendors.

HRA agreed with many of the audit recommendations but disagreed with some of the audit findings.

Audit Follow-up

HRA reported that 15 recommendations have either been implemented or are in the process of being implemented, and that 5 recommendations are not being implemented. HRA continues to disagree with certain findings and the related recommendations that HRA ensure that OCM conducts the required evaluation visits, encourage OCM to follow *The Contract Monitor's Cookbook for Human Services* guidelines, ensure the accuracy of placement and retention data, ensure that claims are paid at the correct rate by verifying clients' public-assistance status, and ensure that FIA-3A Job Notice forms are completed and approved within the required time periods.

HUMAN RESOURCES ADMINISTRATION

Follow-up Audit Report on the Processing of Clients' Permanent Housing Applications by the HIV/AIDS Services Administration of the Human Resources Administration

Audit #ME07-055F

Comptroller's Audit Library #7806

Issued: June 29, 2007

Monetary Effect: None

Introduction

This follow-up audit determined whether the HIV/AIDS Services Administration (HASA) of the Human Resources Administration (HRA) implemented the seven recommendations made in the *Audit Report on the Processing of Clients' Permanent Housing Applications by the HIV/AIDS Services Administration of the Human Resources Administration* (ME02-116A), issued on June 30, 2003. The period covered by this audit was July 1, 2005, through June 30, 2006 (Fiscal Year 2006).

HASA provides social, financial, and vocational services to eligible individuals and their families. Its services cover home care and homemaking, financial and medical support, and family case management. HASA also provides housing assistance, including permanent and transitional housing, to those who are homeless or potentially homeless. According to the *HASA Quarterly Performance Report*, as of June 2006, HASA had 31,007 active client cases, with 23,974 of them receiving rental assistance.

HASA clients can apply and may be deemed eligible to receive rental assistance, broker fees, and establishment-of-home or moving grants. In addition, supportive housing is provided through contracts with community-based organizations (CBOs). The CBOs are responsible for primary case management and other required services to clients and their families.

Results

Of the seven recommendations made in the previous audit, HASA has implemented one, partially implemented three, and did not implement three.

HASA revised and updated its procedures manual to better identify the major steps in the process of placing clients in permanent housing, the responsibilities of key staff members and supervisors, and the maintenance of important documents. In addition, HASA has updated its computer systems to allow case managers, housing specialists, and management to better track the progress of applications from the date of application to placement. However, there is a lack of evidence on the computer systems that the case managers scheduled any of the client interviews with permanent housing providers, as required in the HASA procedures manual. Furthermore, while the Eligibility Unit appears to be making decisions on financial assistance requests within five working days, and approved payments are issued within 30 calendar days, the field centers are not consistently providing the requests to the Eligibility Unit within three working days, as required by the HASA procedures manual. Finally, HASA has improved the timeliness of its processing of financial assistance packages. However, the packages reviewed still lacked essential documents.

To address the issues that still exist, the audit made the following five recommendations, that HRA:

- Program the HASA Web to provide information on the scheduling of client interviews with housing providers.
- Endeavor to obtain more timely communication between providers and housing specialists on the results of interviews.
- Ensure that the field centers maintain signed copies of clients' housing applications.
- Identify the causes for delays in forwarding completed requests for housing-related financial assistance to the Eligibility Unit and develop strategies to ensure that the packages are forwarded to the Eligibility Unit within three working days.
- Ensure that case managers, eligibility specialists, supervisors and center directors adequately review requests for housing-related financial assistance to ensure that all required forms, including signed and dated financial assistance request forms and client receipts, are completed and maintained by HASA.

HRA officials disagreed with several of the audit's findings but agreed with all of the audit's recommendations.

Audit Follow-up

HRA reported that it has either implemented or is in the process of implementing all of the audit's recommendations.

DEPARTMENT OF INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS

Audit Report on the Development and Implementation of ACCESS NYC by the Department of Information Technology and Telecommunications

Audit #7A07-065

Comptroller's Audit Library #7770

Issued: June 12, 2007

Monetary Effect: None

Introduction

The audit determined whether ACCESS NYC, as a finished product, will meet overall goals as stated in the system justification; if system design allows for future enhancements and upgrades; if it meets initial business and system requirements; if development followed a formal methodology; if it functions reliably, and information recorded in the database is accurate and secure from unauthorized access; if it was procured in accordance with City Charter and Procurement Policy Board rules; and if it has been incorporated into the Department of Technology and Telecommunications' (DoITT's) disaster-recovery plan. Audit fieldwork was conducted between September 2006 and January 2007.

DoITT oversees the use of existing and emerging technologies in delivery of services to the public by City government. ACCESS NYC was successfully introduced and made available to the general public in October 2006 through New York City's official Web site, www.NYC.gov. ACCESS NYC is an online screening tool that supports 21 government programs and is available in English, Spanish, Traditional Mandarin Chinese, Arabic, Haitian-Creole, Korean, and Russian.

Results

The development and implementation of the system met specifications, was on schedule, and was delivered within projected costs. It is operational and meets initial business and system requirements. However, foreign-language users are redirected from the Web links to only the English-language information, thus making the foreign-language feature of minimal benefit to certain users.

The audit made one recommendation in which DoITT should:

- Work with those agencies responsible to translate the source information into each foreign language available in ACCESS NYC.

DoITT agreed with the audit finding, noting that ACCESS NYC is in compliance with language requirements, but that other agencies are still in the process of translating their agency information into the required six foreign languages.

Audit Follow-up

DoITT reported that it is in the process of implementing the audit's recommendation.

MULTI-AGENCY

Audit Report on the Financial Practices and Procedures of the Pomonok Neighborhood Center
July 1, 2003–June 30, 2004

Audit #FL05-129A

Comptroller’s Audit Library #7752

Issued: January 25, 2007

Monetary Effect: Actual Savings: \$2,250

Introduction

This audit determined whether Pomonok Neighborhood Center, Inc., (Pomonok) expended the funds it received through its City contracts in accordance with the terms of those contracts. During the audit period, Fiscal Year 2004, Pomonok received funds through New York State contracts, including one with the New York State Office of Children and Family Services (NYSOCFS), a grant from the City Housing Authority (NYCHA), and five contracts totaling \$597,165 awarded by the City through the Department of Youth and Community Development (DYCD), the Department for the Aging (DFTA), and the Department of Housing Preservation and Development (HPD).

Results

The audit disclosed that Pomonok did not expend the funds it received through its City contracts in accordance with the contract terms. Pomonok may have made improper payments, totaling \$83,037, to four employees—the Youth Program Director, his daughter, his live-in girlfriend, and his girlfriend’s son—during Fiscal Year 2004. It appears that the youth program director attempted to systematically exhaust the personal service funds allocated for the youth programs by manipulating his own time-sheets as well as time-sheets for his daughter, his live-in girlfriend, and his girlfriend’s son. It should be noted that the youth program director hired those individuals in direct violation of Pomonok’s agreement with DYCD; they reported directly to him, and he approved their time-sheets. Pomonok also made questionable salary payments totaling \$95,493 to other employees; questionable payments totaling \$24,469 to its vendors; received \$2,250 in questionable payments from DYCD; did not properly authorize checks for City-funded programs; and may not have conducted the required number of Board of Directors meetings. In addition, Pomonok misrepresented its financial status by overstating its liabilities by more than \$700,000 on its Statement of Financial Position. The audit noted that Pomonok officials who are the subject of this report were replaced during audit fieldwork. Forest Hills Community House (Forest Hills) officials, who are currently operating the facility and received this report, are not the subject of this audit.

The audit recommended that Pomonok reissue financial statements for the year ended June 30, 2004, that include the necessary adjustments to the liability accounts, which were overstated by more than \$700,000. Those financial statements should be certified by a new CPA that was not previously involved.

The audit also recommended that Forest Hills:

- Ensure that employees are paid only for hours that are legitimate and that payments are supported by time-sheets approved by authorized personnel.
- Ensure that it hires only qualified personnel, and prevents nepotism.
- Ensure that it is paying for only those items or services that it receives, and that payments to vendors are supported by bills and invoices.
- Maintain bills and invoices that support payments to vendors.
- Ensure that only authorized personnel sign program checks.
- Maintain minutes of all Board of Directors meetings and ensure that the Board holds the minimum number of meetings per year required by its bylaws.

Finally, the audit recommended that DYCD, DFTA, HPD, NYSOCFS, and NYCHA:

- Immediately investigate the reimbursements made to Pomonok under their respective contracts and grant to determine whether they should pursue legal action against the youth program director, his live-in girlfriend, his daughter, and her son to recoup the possibly improper payments made to them.
- Coordinate their monitoring efforts to prevent recurrence of the issues cited in this report.

Pomonok officials stated that the audit confirmed their suspicions of improper management and financial practices, and that Pomonok plans to disband the corporate entity. In their responses, DYCD, DFTA, and HPD described the actions they have taken to address the audit's recommendations. Forest Hills did not respond to the report.

Audit Follow-up

DYCD reported that both audit recommendations have been implemented. DYCD recouped from Pomonok an overpayment of \$2,250. In addition, DYCD has referred its claim against the former youth program director to the Law Department. The Law Department is awaiting final disposition of an investigation by the Queens District Attorney's Office.

DFTA reported that it has implemented the audit's recommendations.

MULTI-AGENCY

Letter Report on the Audit of the Metropolitan Transportation Authority and the Office of Management And Budget's Administration of Various Land-Acquisition Fiduciary Accounts

Audit #FM06-132A
Comptroller's Audit Library #N/A
Issued: January 22, 2007
Monetary Effect: None

This report was distributed on a limited basis to personnel of the Metropolitan Transportation Authority and the Office of Management and Budget only on January 22, 2007.

MULTI-AGENCY

Report on the Monitoring of Franchise, Concession, License, and Lease Agreements by City Agencies

Audit #FS07-107A

Comptroller’s Audit Library #7778

Issued: June 18, 2007

Monetary Effect: None

Introduction

This compilation report determined whether City agencies adequately monitor franchise, concession, and lease agreements granted to private organizations.

Between January 1, 2002, and June 30, 2006, the Audit Bureaus have completed 41 audits of entities with City franchise, concession, and lease agreements. Those audits resulted in the assessment of \$23,804,840 in additional revenue due the City. The City has collected \$16,627,231 in revenue as a result of the audit findings, and has the potential to realize an additional \$7,177,609 in outstanding revenue. The additional revenue can be collected if all recommendations identified in the audit reports are followed.

Results

In general, based on the results of the 41 audits of concession, franchise, and lease agreements overseen by a number of City agencies, it is apparent that the agencies do not adequately monitor the parties granted these agreements, as required by the City Charter. Moreover, the results of the majority of the audits raise the question of the attitude of the agencies in their roles as the City’s oversight bodies charged with monitoring the activities of the entities granted concession, franchise, and lease agreements. It appears that as long as those agreements provided revenue to the City, the oversight agency provided either lax monitoring or no monitoring at all.

The compilation report made several recommendations. The Mayor’s Office must institute uniform policies and procedures that all agencies are to follow to ensure that entities granted concession and franchise agreements are adequately monitored by their respective oversight agency. Those policies and procedures ought to include steps that each agency should perform to ensure that the private entity granted the concession, franchise, or lease agreement is complying with the provisions of the agreement. Those steps could include periodic reviews of revenue collections and internal controls to help ensure that the entity has accounted for and reported all its revenue to the City and paid all the fees owed. Monitoring agencies should also review when capital improvements are required in the agreements and periodically inspect properties to ensure the adequate completion of improvements.

Report Follow-up

Not applicable

MULTI-AGENCY

Audit Report on the Licensing and Oversight of the Carriage-Horse Industry by the Departments of Health and Mental Hygiene and Consumer Affairs

Audit #MH07-092A

Comptroller's Audit Library #7791

Issued: June 27, 2007

Monetary Effect: None

Introduction

This audit determined whether the Department of Health and Mental Hygiene (DOHMH) and the Department of Consumer Affairs (DCA) have adequate controls over the licensing and oversight of carriage-horses, drivers, carriages, and stables, and comply with applicable rules and regulations of the City. DOHMH and DCA are the key agencies responsible for overseeing and licensing the horses, carriage-horse drivers, carriages, and stables. During Fiscal Year 2006, there were approximately 221 licensed horses, 293 licensed drivers, and 68 licensed carriages that provided horse-drawn carriage rides to the public. While DOHMH and DCA have regulatory responsibilities, the American Society for the Prevention of Cruelty to Animals (ASPCA) has a large, unofficial role in monitoring the carriage-horse industry. The audit covered the period July 1, 2005, through March 30, 2007.

Results

DOHMH and DCA have adequate controls over the licensing of carriage-horses, carriage drivers, carriages, and stables, and generally comply with the applicable rules and regulations of the City.

The Administrative Code statute relevant to the industry includes a requirement for an Advisory Board to have been established, but DOHMH has failed to establish the Board since the enactment of the statute. As a result, regulations promoting the health, safety, and well-being of the carriage-horses remain broad and general in scope. Further, both agencies' efforts in monitoring and overseeing the carriage-horse industry raise concerns. During Fiscal Year 2006, DCA inspectors did not perform the required number of inspections of the horse-drawn carriages. Both DOHMH and DCA rely on ASPCA to perform inspections of the horses, drivers, and carriages in the field; however, ASPCA performs those duties without a formal agreement.

In addition, a review of DCA files showed that the agency issued and renewed licenses for horses, carriages, and drivers. However, in a few instances DCA renewed horse licenses before Veterinary Public Health Services (VPHS) reviewed the Certificates of Health.

The audit made 11 recommendations, including that:

- DOHMH should establish the required Advisory Board, as set forth in the Administrative Code. Once established, DOHMH and the Advisory Board should promulgate clear regulations to promote the health, safety, and well-being of the carriage-horses.
- DOHMH should establish written guidelines that include how often their veterinarian should inspect the stables, as well as how often the horses should be evaluated in the field.

- DOHMH should determine how oversight for the monitoring of the established guidelines will be accomplished in the future. Should the determination be that an organization other than DOHMH, such as the ASPCA, is to be responsible, then a competitive contract for such services should be considered.
- DCA should return to owners any renewal applications for horse licenses and the original Certificates of Health that have bypassed prior DOHMH approval, and the owners should submit them to DOHMH.
- DCA should comply with the Administrative Code and the Rules of the City of New York by conducting the required carriage inspections or by entering into a formal agreement with the ASPCA that requires the ASPCA to perform all required carriage inspections.

In their responses, DOHMH officials agreed with the five audit recommendations addressed to them. DCA officials generally agreed with five of the six recommendations addressed to them, but did not directly address one recommendation relating to ensuring that all required information is received and reviewed before a carriage-horse driver's license is issued.

Audit Follow-up

DOHMH reported that it has either implemented or is in the process of implementing all of the audit's recommendations.

DCA reported that it has either implemented or is in the process of implementing all of the audit's recommendations.

AUDITS OF MANAGERIAL LUMP-SUM PAYMENTS

Monetary Effect: Actual Savings: \$336,050.14

The Bureau of Financial Audit 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 both vested and current accrued annual leave, sick leave, and compensatory leave. 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 compensatory leave. After January 1, 1978, the plan became the Management Pay Plan.

Upon final separation from service, each employee’s agency submits a lump-sum payment claim to the Comptroller for audit.

For Fiscal Year 2007, those audits of the managerial lump sum requests submitted by city agencies, resulted in a savings to the City of New York of \$336,050.14:

| | |
|--|-----------------|
| Total number of claims in Fiscal Year 2007 | 465 |
| Total amount of agency-prepared lump-sum claims | \$ 9,529,487.93 |
| Total amount of lump-sum claims approved for payment | \$ 9,193,437.79 |
| Claims correctly prepared by the agency | 242 |
| Claims reduced during audit | 191 |
| Claims increased during audit | 32 |
| Claims denied | 0 |
| Total dollar value of agency overpayments, before audit | \$ 340,821.64 |
| Total dollar value of agency underpayments, before audit | \$ 4,771.50 |
| Net Savings resulting from audit | \$ 336,050.14 |

AUDITS OF HIGH-RISK WELFARE FUND PAYMENT VOUCHERS

Monetary Effect: Actual Savings: \$97,032
 Potential Savings: \$98,002

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 or rates
- Contributions made for retirees prior to their actual retirement date
- Duplicate payments for a title or a group of titles under two different agreements or the same agreement

During Fiscal Year 2007, 4,133 vouchers totaling over \$446 million were audited with these results:

| | <u>Number of Vouchers</u> | <u>Amount</u> |
|-----------------------------------|--------------------------------------|----------------------|
| Total Number of Vouchers Audited: | 4,133 | \$446,392,049 |
| Vouchers Accepted: | 3,759 | \$275,851,120 |
| Vouchers Not Accepted: | 374 | \$170,540,929 |
| Overpayments: | | \$ 195,034 |
| Questionable: | | \$ 1,949 |
| Underpayments: | | \$ (4,203) |

Collections during Fiscal Year 2007 totaled \$97,032. Agencies recouped this amount either by check from the appropriate fund or by deducting the overpayment from subsequent payment vouchers. The negative underpayments reflect the adjustments that agencies made for underpayments reported in Fiscal Year 2007.

DEPARTMENT OF PARKS AND RECREATION

Audit Report on the Administration of the 59th Street Recreation Center Open-Space Improvements and Fiduciary Account by the Department of Parks and Recreation

Audit #FM06-127A

Comptroller's Audit Library #7783

Issued: June 27, 2007

Monetary Effect: None

Introduction

This audit determined whether the Department of Parks and Recreation (Parks) complied with the terms of the fiduciary agreement and the "Modification to the Restrictive Declaration." A restrictive declaration is an agreement between the City and a party, in which specific conditions are placed on a property's future use and development. Fiduciary accounts are used to record financial resources held and administered in trust by the City.

In March 1993, a restrictive declaration was drafted by the Department of City Planning (City Planning) requiring a developer to make open-space improvements at the Center. The project did not advance until 1997, by which time Parks had decided against the open-space improvements originally called for and was looking into making larger-scale alternative improvements to the Center. The declaration was modified on July 27, 2000, requiring the developer to contribute \$2.7 million to a fiduciary account rather than make the improvements. The modification also required that Parks, the local City Council member, and Community Boards 4 and 7 were to coordinate in revising the scope of open-space improvements that Parks would be responsible for making at the Center.

As of June 30, 2006, the City's Financial Management System reported a fiduciary account balance of approximately \$3.3 million—the original contribution of \$2.7 million plus interest earned. The audit period covered March 31, 1993, to August 31, 2006.

Results

Although the fiduciary funds were accounted for in compliance with the terms outlined in the fiduciary agreement, Parks did not comply with the intent of the modification to the restrictive declaration, namely, to ensure the timely completion of open-space improvements at the 59th Street Recreation Center.

As of September 28, 2006, nearly 13 years after the restrictive declaration was drafted and 6 years after its modification, open-space improvements at the Center had not yet started. Parks officials state that they now have a plan for open-space improvements agreed upon by the consultative parties; have secured the additional funding to begin the open-space improvements; and, toward the latter part of Fiscal Year 2007, anticipate spending approximately \$6 million (which includes the \$2.7 million of fiduciary account funds) on improvements at the Center.

The report made one recommendation, that Parks immediately comply with the terms of the modification to the restrictive declaration that requires it to expend the fiduciary account's

\$2.7 million for open-space improvements to the Center; and develop a written plan for carrying out the specific improvements to be made.

Parks officials agreed with the audit's recommendation to comply with the terms of the modification, but stated that the audit's findings concerning the restrictive declaration were misleading.

Audit Follow-up

Parks reported that it is in the process of implementing the audit recommendation.

DEPARTMENT OF PARKS AND RECREATION

Audit Report on the Efficiency of the Department of Parks and Recreation in Addressing Complaints Related to Tree Removals

Audit #MG06-121A

Comptroller's Audit Library #7758

Issued: March 26, 2007

Monetary Effect: None

Introduction

The audit determined whether the Department of Parks and Recreation (Parks) is addressing and resolving in a timely manner complaints related to tree removals and emergency pruning.

Parks maintains a 28,800-acre park system distributed throughout the five boroughs of New York City. It is also responsible for the more than 500,000 trees that line the streets and the two million trees within the parks. In 1996, Parks conducted the first-ever street-tree census, placing the tree population on a database called Tree Manager—a computerized information management tool for urban forestry operations.

The Parks Division of Central Forestry and Horticulture (Central Forestry) is responsible for citywide urban forestry and horticulture initiatives. Central Forestry, through its five borough forestry offices (Forestry), administers a Dead Tree Removal Program through which it pledges to inspect and remove dead trees in front of citizens' residences within 30 days of notification. Forestry also prunes deadwood and hanging limbs that are potentially hazardous (emergency pruning). The audit covered Fiscal Year 2006.

Results

The audit determined that Parks generally resolved complaints related to tree removals in a timely manner. The audit noted that Tree Manager accurately reflected information entered into it related to service requests, inspection reports, and work orders. Together with other tests of data reliability, there was a reasonable basis to rely on the integrity of Parks's computer-processed data.

A test of the timeliness of service requests to be completed by Forestry staff members revealed that 90 percent of dead-tree removal service requests recorded in Tree Manager were completed within the 30-day mandate. This is slightly below the Parks target of a 95 percent completion rate for the 30-day mandate, as stated in the 2006 Mayor's Management Report. Forestry's review process of outstanding service requests to ensure the timely completion of tree removals needs improvement. Specifically, the audit noted internal control deficiencies in the review of service requests and subsequent inspection reports and work orders. Moreover, Parks does not ensure that all service requests are recorded in Tree Manager. As a result, the Tree Manager database does not contain all service requests it receives from the public, thereby increasing the risk that hazardous tree-related conditions that may result in accidents may be overlooked.

Moreover, a review of five randomly selected claims settled in Fiscal Year 2006 revealed that Forestry personnel failed to dispatch work crews to remedy hazardous conditions involved in those claims, although Forestry had performed prior inspections noting the conditions.

Finally, the Management Information Systems Department (MIS) lacks adequate controls over Tree Manager. Parks lacked adequate system documentation and controls such as record layouts, data entry validation, and audit trail. The audit also found that a disaster recovery plan to safeguard Tree Manager data is not in place.

To address these issues, the audit made the following five recommendations. Parks should:

- Ensure that Forestry improves the manner in which it oversees, prioritizes, and schedules work orders, in order to comply with the 30-day tree removal mandate.
- Establish adequate procedures to ensure that all service requests are entered in Tree Manager and followed up for resolution.
- Ensure that inspections and the follow-up work necessary to perform dead-tree removals are performed and documented.
- Ensure that MIS and Forestry officials design, specify, and implement in the new forestry-data management system adequate features and system controls (i.e., record layouts, field definitions, disaster recovery, audit trail, input controls, data interface, etc.) to strengthen the reliability and integrity of the system.
- Ensure that the new systems have appropriate tools and reports to facilitate and enhance supervisory review of completed and outstanding service requests.

Parks officials agreed to implement three of the five audit recommendations. Parks disagreed with the recommendations that addressed the manner in which work orders are prioritized and scheduled, and how inspections and follow-up work for tree removals are performed and documented.

Audit Follow-up

Parks reported that it is in the process of implementing four of the five recommendations. Parks is in the process of integrating the Forestry Management System with the 311 Call Center, which will automatically transfer every request into Parks's database. In addition, the new system will encompass all the controls in accordance with Directives #1 and #18.

OFFICE OF PAYROLL ADMINISTRATION

Audit Report on the Procurement Practices of the Office of Payroll Administration

Audit #ME07-053A

Comptroller's Audit Library #7769

Issued: June 12, 2007

Monetary Effect: None

Introduction

This audit determined whether the Office of Payroll Administration's (OPA) procurement practices relating to non-capital expenditures complied with applicable Procurement Policy Board (PPB) rules and Comptroller's Directives, and its own procedures. The period covered by this audit was July 1, 2005, through June 30, 2006 (Fiscal Year 2006).

OPA is responsible for ensuring prompt and accurate payment of City employees' wages and salaries. OPA is also responsible for: coordinating payroll policies and procedures among City agencies; ensuring City compliance with applicable federal, state, and City employment-tax regulations; distributing and accounting for the City's payroll; and ensuring the integrity, accuracy, and operational effectiveness of the City's payroll system. For Fiscal Year 2006, OPA had a modified budget of \$4,028,835 for Other Than Personal Service (OTPS) costs, of which the agency spent \$2,905,432.

Results

The audit found that OPA has established an adequate segregation of duties for its procurement practices. In addition, OPA registered all its contracts with the Comptroller's Office and adequately documented its receipt of goods and services.

However, OPA lacked supporting documentation for some purchases, used some miscellaneous vouchers inappropriately, paid some vendor invoices late, and had weak inventory controls relative to its computer assets.

To address these issues, the audit made 11 recommendations, among them that OPA:

- Ensure that request-for-purchase forms are completed and approved, in accordance with OPA procedures, before funds are committed.
- Ensure that increases in purchase-order amounts are properly justified and authorized.
- Ensure that miscellaneous payment vouchers are used in accordance with Comptroller's Directive #24.
- Require that invoices are date-stamped upon receipt and/or that the dates of the certification of the receipt of goods or services are recorded.
- Ensure that all invoices are paid within 30 days of receipt of the invoice or of the certified receipt of the goods or services provided.
- Maintain an independent inventory list that shows key information on all its computer assets, such as the purchase date, date equipment was placed in service, location, staff assignment, date equipment was taken out of service, and the date and manner in which

equipment was discarded. The list should be regularly updated to include additions, transfers, and disposals of equipment. Periodic physical inventories should be performed for all assets.

Audit Follow-up

OPA reported that the audit recommendations have either been implemented or are in the process of being implemented.

NEW YORK CITY POLICE DEPARTMENT

Audit Report on the New York City Police Department Data Center

Audit #7A06-093

Comptroller's Audit Library #7745

Issued: August 14, 2006

Monetary Effect: None

Introduction

The audit determined whether the New York City Police Department (NYPD) has adequate physical and computer-system security in its data center and computer operations, as well as contingency plans that have been tested in compliance with applicable Federal Information Processing Standards (FIPS) and City guidelines. Audit fieldwork was conducted from October 2005 through April 2006.

The Management Information Systems Division (MISD) is responsible for the data-center computer operations that provide information to the entire NYPD. The data center provides data-processing operations for the NYPD Local Area Networks (LAN) and mainframe computers. The data center also maintains and supports more than 35 computer applications. MISD is responsible for implementing and periodically testing the disaster-recovery plan of the data center.

Results

NYPD has adequate physical security controls that allow only authorized MISD staff members and other approved NYPD personnel access to the data center. MISD also monitors data-center activities 24 hours a day, 7 days a week, as required. NYPD has system security policies and procedures in place. In addition, it has a formalized disaster-recovery plan, and this plan is periodically tested. It has also hired an outside vendor to provide an alternate processing site and disaster-recovery services in the event of an operational disaster at, or affecting, the data center.

However, there are four control weaknesses that should be addressed. Specifically: some inactive user accounts have not been disabled or deleted; the uninterruptible power supply (UPS) lasts only 12 minutes, which may not be a sufficient amount of time for the backup generators to be turned on in the event of a disaster; backup tapes, while stored off-site, are not properly secured in a restricted-access area of the premises; and the Department of Investigation (DOI) has not reviewed or approved the Internet plan, as required.

To address these issues, the audit report recommended that NYPD:

- Ensure that it is following its policy and procedure for reviewing and terminating inactive users and users that have left City service.
- Adhere to DOI policies, directives, and standards, and contact DOI to review and approve its Internet security plan and ascertain that the controls in place are effective.
- Establish and implement procedures to document the Internet activities, the traffic passing through the firewalls, and the penetration-test results.

- Increase the time that the UPS units operate, to provide additional time for manual activation of the backup generators in the event of an emergency.
- Store backup tapes in a restricted and secure area.

In its response, NYPD agreed with four of the five recommendations made in this audit. The recommendation with which NYPD disagreed relates to increasing the time criteria for the UPS units.

Audit Follow-up

NYPD reported that it is implementing the four recommendations with which it agreed.

NEW YORK COUNTY PUBLIC ADMINISTRATOR'S OFFICE

Audit Report on the Financial and Operating Practices of the New York County Public Administrator's Office

Audit #MD07-062A

Comptroller's Audit Library #7790

Issued: June 27, 2007

Monetary Effect: None

Introduction

This audit determined whether the Office of the New York County Public Administrator (NYCPA) complied with Article 11 of the New York State Surrogate's Court Procedures Act (SCPA), the *Report and Guidelines of the Administrative Board for the Offices of the Public Administrators* (Administrative Board Guidelines), and other applicable federal, State, and City laws, rules, and regulations.

The NYCPA is responsible for administering the estates of individuals in New York County who die intestate (without a will) or when no other appropriate individual is willing or qualified to administer the estate. The NYCPA makes funeral arrangements, collects debts, pays creditors, manages the decedents' assets, files appropriate tax returns, and searches for possible heirs. This audit covered estates opened as of July 1, 2004, and closed during Fiscal Year 2006 (July 2005–June 2006). As of June 30, 2006, the New York County Public Administrator (NYCPA) was administering 1,011 open estates with assets valued at more than \$106 million.

Results

The NYCPA generally adheres to procedures of the SCPA, Administrative Board Guidelines, and its own guidelines and procedures. However, there were a few instances of noncompliance relating to certain practices. The NYCPA did not always comply with the Administrative Board Guidelines during searches of decedents' residences. Investigators did not prepare an inventory listing of jewelry items retrieved during residence searches, and there was no evidence that two investigators were present, as required, at 2 of 12 residence searches. In addition, the NYCPA did not always submit final accountings to the Surrogate's Court; underreported \$3,764,520 in 1099-reportable payments to the Internal Revenue Service (IRS); and did not have an independent Certified Public Accountant (CPA) conduct an annual audit.

The audit made nine recommendations, five of which are listed below. The NYCPA should:

- Ensure that a complete and detailed inventory list is prepared of all items retrieved from decedents' residences, including jewelry items, and that the inventory list is signed by both investigators.
- Ensure that two investigators are present during searches of decedents' residences and that the investigators document their presence by signing the Investigator's Reports.
- Ensure that final accountings and amended final accountings are prepared and filed with the Surrogate's Court.

- Ensure that IRS 1099-MISC forms are issued to all individuals with 1099-reportable income (payments made to individuals who provide a service relating to the NYCPA operations, including services provided on behalf of the estates).
- Have an independent CPA conduct annual audits that comply with SCPA requirements.

NYCPA officials generally disagreed with the audit's findings, but stated that they would take some steps to implement four of the audit's nine recommendations. They disagreed with three of the recommendations relating to use of the correct gross estate values when calculating the commissions due the City, and issuance of 1099 forms to all individuals with 1099-reportable income. They did not respond to two recommendations relating to selection of a CPA firm in accordance with Comptroller's Directive #5, and obtaining a budgeting decision from the City as to whether it will fund an audit.

Audit Follow-up

NYCPA reported that the audit's recommendations are being implemented.

OFFICE OF THE PUBLIC ADVOCATE

Audit Report on the Purchasing and Inventory Practices of the Office of the Public Advocate

Audit #MJ07-103A

Comptroller's Audit Library #7809

Issued: June 29, 2007

Monetary Effect: None

Introduction

This audit determined whether the Office of the Public Advocate (PAO) maintains adequate financial controls over purchasing and inventory practices, as required by Procurement Policy Board (PPB) rules and Comptroller's Directives. The PAO evaluates whether City agencies are responsive to the public; recommends improvements in agency programs and complaint-handling procedures; and serves as ombudsman, or go-between, for individuals who have problems obtaining service, assistance, or responses they need from City agencies.

During Fiscal Year 2006, the period covered by the audit, the PAO had total expenditures of \$2.9 million, consisting of \$2.2 million for Personal Service (PS) expenditures and \$724,144 for Other Than Personal Service (OTPS) expenditures. For Fiscal Year 2007, the PAO adopted expense budget included \$2.6 million for PS and \$398,611 for OTPS expenditures.

Results

The PAO has implemented adequate financial controls over many aspects of its purchasing and inventory practices, as required by PPB rules and Comptroller's Directives, and has taken action to improve compliance with those rules and regulations to address and correct several deficiencies cited in a previous audit. However, the PAO lacked required competition for four vendors, each paid in excess of \$5,000, inappropriately divided purchase transactions, and lacked documentation to verify and attest to the receipt of goods purchased and paid for. In addition, while all sampled equipment was accounted for, the PAO did not maintain a complete and accurate inventory record of its physical assets inventory.

To address these issues the audit made seven recommendations, among them that the PAO should:

- Ensure that all applicable PPB rules and Comptroller's Directive #24 are followed when procuring goods and services, especially regarding the solicitation of competitive bids and the prohibition of split purchases for goods or services greater than \$5,000.
- Maintain adequate documentation and records to evidence the receipt of purchased goods, including the quantity, condition, date, and name of receiver.
- Ensure that accurate, detailed inventory records are maintained to reflect equipment serial numbers, descriptions, locations, user assignments, and asset identification tag numbers of agency assets. Those records should be updated as needed to reflect the acquisition, disposal, reassignment or relocation of assets, and should be reconciled periodically to ensure accuracy and completeness.

The PAO generally agreed with all six audit recommendations.

Audit Follow-up

The PAO reported that all of the audit's recommendations have been implemented.

RETIREMENT SYSTEMS

Pensioners of the New York City Fire Department Working for the City after Retirement
January 1, 2005–December 31, 2005

Audit #FL07-081A

Comptroller's Audit Library #7792

Issued: June 28, 2007

Monetary Effect: None

Introduction

This audit determined whether any Fire Department pensioners were reemployed by a City agency and illegally collected a pension from the Fire Department Pension Fund (FIRE); and quantified the amounts of improper pension payments to any individuals who appeared to be violators of the New York State Retirement and Social Security Law (RSSL) §211 and §212 or City Charter §1117 during calendar year 2005.

Results

The audit found no individuals who received pension payments during 2005 that appeared to violate applicable sections of state and City laws. Consequently, the audit made no recommendations to FIRE officials.

RETIREMENT SYSTEMS

Pensioners of the New York City Police Department Working for the City after Retirement
January 1, 2005–December 31, 2005

Audit #FL07-082A

Comptroller's Audit Library #7793

Issued: June 28, 2007

Monetary Effect: Potential Savings: \$52,195

Introduction

This audit determined whether any Police Department pensioners were reemployed by a City agency and illegally collected a pension from the Police Pension Fund (POLICE); and quantified the amounts of improper pension payments to any individuals who appeared to be violators of the New York State Retirement and Social Security Law (RSSL) §211 and §212 or City Charter §1117 during calendar year 2005.

Results

Five POLICE retirees obtained \$52,195 in pension payments that appeared to violate applicable sections of State and City laws.

The report made four recommendations, that POLICE officials:

- Investigate those individuals identified as receiving pensions while being reemployed in public service. POLICE officials should also commence prompt recoupment action against those individuals found to be illegally collecting pensions.
- Forward to the Department of Investigation, if the circumstances warrant such action, the names of the individuals found to be illegally collecting pensions.
- Ascertain whether previous pension overpayments have been recouped and whether current pensions have been suspended for those individuals who have been cited in previous audits as “double-dippers” or “disability violators.”
- Send special reminders to service retirees under the age of 65 and to all disability retirees that clearly state their responsibilities regarding public service reemployment.

In their response, POLICE officials described the actions they have taken to address the report’s recommendations.

Audit Follow-up

POLICE reported that all of the audit recommendations are being implemented.

RETIREMENT SYSTEMS

Pedagogical Pensioners of the New York City Teachers’ Retirement System Working for the City after Retirement, January 1, 2005–December 31, 2005

Audit #FL07-083A

Comptroller’s Audit Library #7794

Issued: June 28, 2007

Monetary Effect: Potential Savings: \$846,925

Introduction

This audit determined whether any Teachers’ Retirement System pensioners were reemployed by a City agency and illegally collected a pension from the Teachers’ Retirement System (TRS); and quantified the amounts of improper pension payments to any individuals who appeared to be violators of the New York State Retirement and Social Security Law (RSSL) §211 and §212 or City Charter §1117 during calendar year 2005.

Results

Seventy-five TRS retirees obtained \$846,925 in pension payments that appeared to violate applicable sections of State and City laws.

The report made four recommendations, that TRS officials:

- Investigate those individuals identified as receiving pensions while being reemployed in public service. TRS officials should also commence prompt recoupment action against those individuals found to be illegally collecting pensions.
- Forward to the Department of Investigation, if the circumstances warrant such action, the names of those individuals found to be illegally collecting pensions.
- Ascertain whether previous pension overpayments have been recouped and whether current pensions have been suspended for those individuals who have been cited in previous audits as “double-dippers” or “disability violators.”
- Send special reminders to service retirees under the age of 65 and to all disability retirees that clearly state their responsibilities regarding public service reemployment.

In their response, TRS officials described the actions they have taken to address the report’s recommendations.

Audit Follow-up

TRS reported that it is in full compliance with all of the audit’s recommendations.

RETIREMENT SYSTEMS

Pensioners of the New York City Employees’ Retirement System Working for the City after Retirement, January 1, 2005–December 31, 2005

Audit #FL07-084A

Comptroller’s Audit Library #7795

Issued: June 28, 2007

Monetary Effect: Potential Savings: \$20

Introduction

This audit determined whether any New York City Employees’ Retirement System pensioners were reemployed by a City agency and illegally collected a pension from the New York City Employees’ Retirement System (NYCERS); and quantified the amounts of improper pension payments to any individuals who appeared to be violators of the New York State Retirement and Social Security Law (RSSL) §211 and §212 or City Charter §1117 during calendar year 2005.

Results

One NYCERS retiree obtained \$20 in pension payments that appeared to violate applicable sections of State and City laws.

The report made four recommendations, that NYCERS’ officials:

- Investigate the individual identified as concurrently receiving a pension while being reemployed in public service. NYCERS officials should also commence prompt recoupment action against this individual if he is found to be illegally collecting a pension.
- Forward to the Department of Investigation, if the circumstances warrant such action, the name of this individual if he is found to be illegally collecting pensions.
- Ascertain whether previous pension overpayments have been recouped and whether current pensions have been suspended for those individuals who have been cited in previous audits as “double-dippers” or “disability violators.”
- Send special reminders to service retirees under the age of 65 and to all disability retirees that clearly state their responsibilities regarding public service reemployment.

In their response, NYCERS officials described the actions they have taken to address the report’s recommendations.

Audit Follow-up

NYCERS reported that it is in the process of implementing the audit’s recommendations.

RETIREMENT SYSTEMS

Non-Pedagogical Pensioners of the New York City Department of Education Working for the City after Retirement, January 1, 2005–December 31, 2005

Audit #FL07-085A

Comptroller’s Audit Library #7796

Issued: June 28, 2007

Monetary Effect: Actual Savings: \$23,864

Potential Savings: \$ 4,859

Introduction

This audit determined whether any Department of Education (non-pedagogical) pensioners were reemployed by a City agency and illegally collected a pension from the Board of Education Retirement System (BERS); and quantified the amounts of improper pension payments to any individuals who appeared to be violators of the New York State Retirement and Social Security Law (RSSL) §211 and §212 or Charter §1117 during calendar year 2005.

Results

One BERS retiree obtained \$28,723 in pension payments that appeared to violate applicable sections of State and City laws.

The report made four recommendations, that BERS officials:

- Investigate the individual identified as receiving a pension while being reemployed in public service. BERS officials should also commence prompt recoupment action against this individual if he is found to be illegally collecting a pension.
- Forward to the Department of Investigation, if the circumstances warrant such action, the name of this individual if he is found to be illegally collecting a pension.
- Ascertain whether previous pension overpayments have been recouped and whether current pensions have been suspended for those individuals who have been cited in previous audits as “double-dippers” or “disability violators.”
- Send special reminders to service retirees under the age of 65 and to all disability retirees that clearly state their responsibilities regarding public service reemployment.

In their response, BERS officials described the actions they have taken to address the report’s recommendations.

Audit Follow-up

BERS reported that three of the four recommendations have either been implemented or are in the process of being implemented. BERS has recouped \$23,863.96 from the retiree who was in violation. However, BERS does not find it necessary to forward the violator’s name to the Department of Investigation for further investigation at this time.

RETIREMENT SYSTEMS

NYC Pensioners Working for New York State after Their Retirement January 1, 2005–December 31, 2005

Audit #FL07-086A

Comptroller’s Audit Library #7797

Issued: June 28, 2007

Monetary Effect: Potential Savings: \$251,055

Introduction

This audit determined whether any New York City pensioners returned to public service as employees of New York State and illegally collected a pension from New York City; and quantified the amounts of improper pension payments to any individuals who appeared to be violators of the New York State Retirement and Social Security Law (RSSL) §211 and §212 or City Charter §1117 during calendar year 2005.

Results

Sixteen New York City pensioners working for New York State obtained \$251,055 in pension payments that appeared to violate applicable sections of State and City laws.

The report made four recommendations, that officials of the five New York City retirement systems:

- Investigate those individuals identified as receiving pensions while being reemployed in New York State public service. City retirement system officials should also commence prompt recoupment action against those individuals found to be illegally collecting pensions.
- Forward to the Department of Investigation, if the circumstances warrant such action, the names of the individuals found to be illegally collecting pensions.
- Ascertain whether previous pension overpayments have been recouped and whether current pensions have been suspended for those individuals who have been cited in previous audits as “double-dippers” or “disability violators.”
- Send special reminders to service retirees under the age of 65 and to all disability retirees that clearly state their responsibilities regarding public service reemployment.

Officials of the New York City retirement systems generally agreed to implement or stated that they were already in the process of implementing the audit’s recommendations.

Audit Follow-up

As the Board of Education Retirement System had no violators cited in this audit, BERS reported that it will continue to keep its active and retired members informed of existing laws through newsletters, seminars, and counseling sessions.

The Fire Department reported that the audit’s recommendations are being implemented.

The New York City Employees’ Retirement System reported that it is in the process of implementing the audit’s recommendations.

The Police Pension Fund reported that all of the audit’s recommendations are being implemented.

The Teachers Retirement System reported that it is in full compliance with all of the audit’s recommendations.

RETIREMENT SYSTEMS

New York City Pensioners Working as Consultants for the City after Retirement, January 1, 2005–December 31, 2005

Audit #FL07-087A

Comptroller’s Audit Library #7798

Issued: June 28, 2007

Monetary Effect: Potential Savings: \$99,372

Introduction

This audit determined whether any New York City pensioners returned to public service as consultants and illegally collected a pension from the City; and quantified the amounts of improper pension payments to any individuals who appeared to be violators of the New York State Retirement and Social Security Law (RSSL) §211 and §212 or City Charter §1117 during calendar year 2005.

Results

Four New York City pensioners working as consultants for the City obtained \$99,372 in pension payments that appeared to violate applicable sections of State and City laws.

The report made four recommendations, that officials of the five New York City retirement systems:

- Investigate those individuals identified as receiving pensions while receiving payments from the City for providing professional services as consultants. City retirement systems officials should also commence prompt recoupment action against those individuals found to be illegally collecting pensions.
- Forward to the Department of Investigation, if the circumstances warrant such action, the names of individuals found to be illegally collecting pensions.
- Ascertain whether previous pension overpayments have been recouped and whether current pensions have been suspended for those individuals who have been cited in previous audits as “double-dippers” or “disability violators.”
- Send special reminders to all retirees that clearly state their responsibilities when returning to public service after retirement.

Officials of the New York City retirement systems generally agreed to implement or stated that they were already in the process of implementing the audit’s recommendations.

Audit Follow-up

As the Board of Education Retirement System had no violators cited in this audit, BERS reported that it will continue to keep its active and retired members informed of existing laws through newsletters, seminars, and counseling sessions.

The Fire Department reported that the audit’s recommendations are being implemented.

The New York City Employees’ Retirement System reported that it is in the process of implementing the audit’s recommendations.

The Police Pension Fund reported that the audit’s recommendations are being implemented.

The Teachers Retirement System reported that it is in full compliance with all of the audit’s recommendations.

DEPARTMENT OF SMALL BUSINESS SERVICES

Audit Report on the Brooklyn Navy Yard Development Corporation's Leasing and Rent Collection Practices

Audit #FM05-114A

Comptroller's Audit Library #7748

Issued: December 4, 2006

Monetary Effect: Actual Savings: \$5,000,000

Introduction

This audit determined whether the Brooklyn Navy Yard Development Corporation (Corporation) had adequate leasing and rent-collection practices.

The City purchased the Brooklyn Navy Yard (Navy Yard) from the federal government in 1970 to create a modern industrial complex that could increase employment opportunities and provide job-training for residents of the surrounding communities. The City subsequently leased the property to the Commerce and Labor Industry Council of Kings County (CLICK), which was to develop the Navy Yard. Until its dissolution in 1981, CLICK operated and managed the Navy Yard. After CLICK's dissolution, the Corporation assumed the lease.

Under the lease agreement, the Corporation is required to pay the City an annual base rent equal to its net operating income. The Corporation generates most of its operating revenue from leasing portions of the Navy Yard to commercial and industrial businesses. However, under a separate contract agreement dated January 9, 2003, the Corporation is not required to pay Fiscal Year 2004 base rent if it deposits net operating income for Fiscal Years 2002 and 2003 in a reserve fund up to the amount of \$5,000,000 and uses the reserves for capital improvements.

In Fiscal Year 2004, the year covered by the audit, the Corporation generated approximately \$18 million in operating revenue and received approximately \$15 million for capital improvements from the City. The Department of Small Business Services (DSBS) is responsible for overseeing the Corporation's activities.

Results

In general, the Corporation has adequate rent-collection controls to ensure that all billings are collected or appropriately pursued. However, the audit disclosed serious weaknesses in the way that the Corporation issues and renews leases and maintains records. Specifically, the Corporation has no written policies or procedures on leasing, no master list of Navy Yard properties, no list of occupied properties, and no list of spaces available for rent. Although the Corporation maintained some underlying documentation, such as leases, applications, and memorandums of understanding to support occupancy terms, most of the documentation was incomplete, inaccurate, or obsolete. Consequently, because the Corporation does not have an adequate leasing system in place to determine whether its process for leasing commercial and industrial space is effective in generating rental income, the Corporation's stewardship over its leasing activities of the Navy Yard is seriously flawed.

The Corporation failed to impose required late fees for 17 of 71 tenants; does not segregate accounting duties; and cannot effectively monitor leasing activities because its computer databases, maintained in Maconomy and FileMaker Pro, are not effective. Finally, the Corporation did not calculate its net operating income in accordance with the lease agreement, nor did it deposit net operating income for Fiscal Years 2002 and 2003 in a reserve fund for capital improvements. Therefore, the Corporation owes the City \$2,208,351 in annual base rent for Fiscal Year 2004.

The audit recommended that the Corporation should:

- Prepare and adopt formal written policies and procedures for an effective leasing system that will generate the rental income required by the agreement.
- Immediately commence the lease preparation, review, and execution process for all tenants who do not hold leases.
- Impose late fees as required for all tenants whose balance is greater than \$1,000 and who do not pay rent on time.
- Ensure that accounting functions are properly segregated.
- Determine the feasibility of either upgrading its current systems or seek to acquire a new system that will interface and reconcile its leasing and financial activities. Once the Corporation makes its decision, it should ensure that all required information regarding tenant leases are entered accurately in its electronic system.
- Submit an annual report to the City detailing a separate calculation of net operating income as prescribed by the lease agreement.
- Either remit \$2,208,351 to the City for Fiscal Year 2004 annual base rent or establish a reserve-fund account for capital improvements and deposit an amount equal to the net operating income for Fiscal Years 2002 and 2003.

DSBS should:

- Require the Corporation to submit information about prospective tenants so that background checks can be performed.
- Ensure that the Corporation complies with the recommendations in this report.

Corporation officials generally agreed with certain aspects of the audit's findings and recommendations; however, they did not agree with the audit's conclusion that the Corporation does not have an adequate leasing system in place to determine whether its process for leasing commercial and industrial space is effective in generating rental income. DSBS officials did not respond to the audit.

Audit Follow-up

The Corporation reported that it has implemented six recommendations, partially implemented one recommendation, and continues to disagree with and will not implement one recommendation. While the Corporation stated that it submits appropriate tenant information to DSBS to perform background investigations; maintains lease applications and current leases in its files and renews leases prior to their expiration; requires the Board of Directors to

approve revisions to major lease terms; and maintains a central data base, the Corporation does not have a formal Internal Leasing Committee. In addition, the Corporation continues to disagree with the recommendation to impose late fees for all tenants whose balance is greater than \$1,000 and who do not pay rent on time. Further, the Corporation has established a reserve fund account for capital improvements and deposited \$5 million in net operating income for Fiscal Years 2002-2005.

DSBS reported that it continues to ensure that the Corporation implements the recommendations of the audit.

DEPARTMENT OF SMALL BUSINESS SERVICES

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

Audit #MH06-128A

Comptroller's Audit Library #7754

Issued: January 29, 2007

Monetary Effect: None

Introduction

This audit determined whether the Fifth Avenue Business Improvement District (BID) has provided the services called for in its District Plan; evaluated the adequacy of the BID's internal controls over its funds and operations; and assessed the BID's compliance with key terms in its contract with the Department of Small Business Services (DSBS). The BID provides services for the area of Fifth Avenue beginning at the north side of 46th Street, extending north to the south side of East 61st Street; excluding Rockefeller Center, but including 57th Street from Madison Avenue to Avenue of the Americas. The scope of the audit was Fiscal Years 2005 and 2006. In Fiscal Year 2005, the BID reported revenues of \$2,138,666 and expenditures of \$2,178,438. Most of the expenditures related to salaried employees who provided enhanced sanitation and security services.

Results

The BID has generally provided the supplemental services as required in its District Plan and has complied with key terms of its DSBS contract: it maintained complete and accurate financial records, submitted annual reports to DSBS, and had its annual financial statements certified by an independent certified public accountant. The BID has adequate controls over its funds and operations. It maintained adequate segregation of duties, and the transactions reviewed appeared to be ordinary, reasonable, and adequately supported.

Interviews with BID Board members revealed that communication between the BID and themselves is excellent. However, communication between the BID and its members needs improvement. The audit satisfaction survey showed that only 54 percent of the respondents

felt that the BID publicized its annual meeting, 37 percent of respondents did not know when the annual meetings were held, and 16 percent did not even know that the BID existed.

The audit made one recommendation: The BID should enhance its efforts to promote the BID among its members, increase awareness of its programs, and notify members about coming events and meetings.

BID officials generally agreed with the audit's findings and recommendation.

Audit Follow-up

The BID reported that it is in the process of implementing the audit's recommendation.

BOARD OF STANDARDS AND APPEALS

Audit Report on Collection and Reporting of Revenues by the Board of Standards and Appeals

Audit #MG07-061A

Comptroller's Audit Library #7771

Issued: June 12, 2007

Monetary Effect: None

Introduction

The audit determined whether the Board of Standards and Appeals (Board) is correctly accounting for and safeguarding the application fee revenue it receives.

The Board, an independent entity, hears and decides appeals from property-owners whose applications to construct or alter buildings or to establish new uses have already been denied by another City agency. The Board generates most of its revenue from application fees, ranging from \$275 to \$253,000, which applicants must pay when filing for variances and appeals. In Fiscal Year 2006, the period covered by the audit, Board revenues as reported on the City Financial Management System (FMS) totaled \$833,048, including \$660,755 for variances, \$159,032 for appeals, and \$13,261 for miscellaneous fees.

Results

Overall, the Board is correctly accounting for the revenue it receives. It generally charged and collected the appropriate fees, and then forwarded the funds it collected to the Department of Citywide Administrative Services (DCAS), where the funds were deposited and recognized as revenue on FMS. The audit also found that the Board appropriately collects fees prior to scheduling a hearing, and hears appeals in accordance with its published agenda.

The audit found, however, that the Board does not adequately safeguard the fee revenue it receives in a safe. The audit also found that the Board did not issue receipts sequentially or reconcile funds collected with funds deposited; held funds for a month, on average, before forwarding them for deposit; and did not always recognize collected funds as revenue in the appropriate fiscal year. In addition, we found that the Board's 2005 Directive #1 filing did not reflect its operating practices.

The audit made the following six recommendations, that the Board should ensure that:

- All collected funds are kept in a locked agency safe until brought to DCAS for deposit.
- A daily summary of cash received is maintained and reconciled against sequentially - issued receipts, as well as deposited checks and money orders.
- A receipt is always obtained from DCAS to account for all funds brought for deposit.
- All collected funds are more frequently forwarded to DCAS for deposit.
- All collected funds are forwarded to DCAS for deposit within the appropriate fiscal year.
- Its Directive #1 filing accurately reflects its management and fiscal systems and internal control structure.

Officials from the Board agreed to implement all six audit recommendations.

Audit Follow-up

The Board reported that the audit's recommendations are being implemented.

TAX COMMISSION

Audit Report on the Financial and Operating Practices of the New York City Tax Commission

Audit #FP07-090A

Comptroller's Audit Library #7773

Issued: June 13, 2007

Monetary Effect: None

Introduction

This audit determined whether the New York City Tax Commission (Tax Commission) is complying with certain purchasing and inventory procedures as set forth in the Comptroller's *Internal Control and Accountability Directives* (Comptroller's Directives) #6 and #24; applicable Procurement Policy Board (PPB) rules; and the Department of Investigation (DOI) *Standards for Inventory Control and Management*. The scope of the audit was July 1, 2005, through June 30, 2006.

Results

The Tax Commission generally adhered to Comptroller's Directives #6 and #24; applicable PPB rules; and the DOI *Standards for Inventory Control and Management*. In addition, the Tax Commission's Other Than Personal Service expenditures disclosed no instances in which monies were improperly used. However, the Tax Commission did not fully comply with certain purchasing and inventory procedures. The Tax Commission:

- charged the incorrect object code for 25 vouchers, totaling \$1,304, of the 170 vouchers examined;
- reimbursed employees a total of \$825 without having complete details of the particulars of the expenditures;
- reimbursed four employee purchases, totaling \$164, that lacked either the invoice or the receipt; and
- did not maintain complete and accurate inventory records.

The audit made the following five recommendations, that the Tax Commission should ensure that:

- All payments are charged to the correct object code.
- Employees include in their personal expense reimbursement forms the travel itinerary and total miles traveled between each destination when using a personal vehicle for City business.
- Employees include in their personal expense reimbursement forms the vehicle identification number when using a City-owned vehicle.
- All payment vouchers are accompanied by appropriate invoices or receipts.
- Complete and accurate records of all equipment items are maintained.

The Tax Commission agreed with the report's five recommendations.

Audit Follow-up

The Tax Commission reported that all of the audit's recommendations have been implemented.

DEPARTMENT OF YOUTH AND COMMUNITY DEVELOPMENT

Audit Report on the Oversight by the Department of Youth and Community Development on the Immigrant Special Initiative Contracts

Audit #MG07-098A

Comptroller's Audit Library #7780

Issued: June 26, 2007

Monetary Effect: None

Introduction

The audit determined whether the Department of Youth and Community Development (DYCD) is adequately overseeing its Immigrant Special Initiative (ISI) contracts.

DYCD, through its Office of Immigrant Initiatives, awards contracts to various community-based organizations (CBOs) throughout the five boroughs. The Office of Immigrant Initiatives conducts monitoring of the CBOs and provides technical assistance to ensure proper completion and submission of quarterly reports. CBOs are required to track and report on program participants and the outcomes they achieve. DYCD awarded 27 contracts to various CBOs as part of an ISI to provide services in one or more of four program areas: Legal Assistance, Immigrant Women, Immigrant Youth Development, and Legal Services for Undocumented Youth in the Foster Care System. The initial contracts and contract renewals totaled \$6,497,289 and ran from January 1, 2005, through June 30, 2006, the scope period of the audit, and were renewed for one additional year running through June 30, 2007.

Results

The audit determined DYCD needs to improve oversight of its ISI contracts. It found that the Office of Immigrant Initiatives followed guidelines established by DYCD. Specifically, contract managers conducted required administrative and programmatic site visits, assessed program activities and participants' files to determine whether they were maintained in accordance with DYCD requirements, and took corrective action when necessary. In addition, the audit found that all contracts were registered and that the vendor evaluations were performed.

However, the audit disclosed weaknesses in the monitoring of CBO performance in meeting contract goals. DYCD (1) did not ensure that CBOs submit all required quarterly reports and (2) has limited controls to ensure that CBOs reported accurate information on program participants and the outcomes they achieve. Although DYCD has procedures in place to ensure that CBOs maintain adequate documentation of program participants and the services provided, there is no adequate control to ensure that CBOs submit required reports detailing contract activity, and that the data included in those reports is accurate. Consequently, DYCD is hindered in assessing contractor performance in meeting contract goals. Further, the audit noted that improvements can be made to further enhance the management control of services provided by CBOs by offering program participants alternative ways of informing DYCD of any complaints against the CBOs.

To address these issues, the audit made seven recommendations, including that DYCD should:

- Increase its efforts in reaching out to CBOs to encourage timely submission of quarterly reports.
- Continue to ensure detection of inaccuracies in quarterly reports and implement effective procedures to aid CBOs in the completion of those reports.
- Implement new procedures that will aid Outcome Specialists and Contract Managers in verifying the data submitted by CBOs.
- Ensure that future ISI contracts include a clause whereby contractors are required to post contact information in various languages for complaint handling and resolution.

DYCD officials agreed to implement six of the seven audit recommendations. They disagreed with one recommendation relating to the implementation of new procedures that would aid the agency in verifying the data submitted by CBOs.

Audit Follow-up

DYCD reported that it is implementing the six recommendations with which it agreed.

DEPARTMENT OF YOUTH AND COMMUNITY DEVELOPMENT

Audit Report on Department of Youth and Community Development Oversight and Monitoring of Beacon Centers

Audit #MJ06-080A

Comptroller's Audit Library #7787

Issued: June 27, 2007

Monetary Effect: None

Introduction

This audit determined whether the Department of Youth and Community Development (DYCD) maintained adequate oversight and monitoring of Beacon Program operators to ensure contract compliance and provision of services.

DYCD is responsible for initiating and coordinating programs to meet the needs and foster the development of the City's youth, families, and communities. The DYCD Beacon Program Contract Management Unit (Beacon Unit) is responsible for overseeing the 80 Beacon community centers situated within host schools, scattered throughout the five boroughs, with many centers in the City's most disadvantaged neighborhoods.

Beacons are school-based community centers where young people can go when school is not in session. The Beacon centers are operated by community-based organizations (CBOs) under contract with DYCD. They operate during non-school hours for a minimum of six days, or 42 hours a week, in afternoons and evenings, on weekends, during school holidays and vacation periods, and during the summer. The centers are expected to provide a

combination of services and activities to meet the needs of their respective neighborhood needs and interests.

The audit covered Fiscal Years 2005 and 2006. In Fiscal Year 2006, \$41.4 million (13.5%) of DYCD's \$306.9 million operating budget was earmarked for the Beacon Program.

Results

DYCD is not adequately providing oversight and monitoring of Beacon Program contractors to ensure that the contractors are providing services and activities to achieve their program goals, thereby complying with their contracts.

The auditors visited six Beacon centers and observed that each center provided activities and services to children and adults. The audit also determined that DYCD's written contract-monitoring policies and procedures generally conformed to key contract oversight and monitoring requirements established by Comptroller's Directive #1 and Procurement Policy Board rules.

However, DYCD's ongoing contract oversight and monitoring activities were deficient. The Beacon Unit did not fully comply with and carry out the DYCD oversight and monitoring procedural requirements, including those performed by contract managers and their supervisors. The Beacon contract managers did not conduct all required field visits and did not retain or complete all required documentation to evidence the conduct of field visits or maintain uniform work files of monitoring activities. Therefore, there was limited assurance that DYCD maintains and provides adequate oversight and monitoring of Beacon Program contractors. Moreover, DYCD did not perform the appropriate VENDEX contractor performance evaluations.

To address these issues the audit made 10 recommendations. Among them that DYCD should:

- Ensure that contract managers conduct all required field visits to the Beacon centers each year.
- Ensure that all Beacon Unit contract managers comply with DYCD contract oversight and monitoring policies and procedures to document and record field visits and other monitoring activities.
- Intensify its efforts to develop performance-outcome measures that are measurable and feasible and do not rely exclusively on enrollment and attendance figures.
- Ensure that Beacon contractor-performance evaluations are completed for all contractors at least once a year and submitted in a timely manner to the Mayor's Office of Contract Services for entry in VENDEX. Performance evaluations on terminating or expiring contracts should be conducted within a reasonable amount of time in advance of the contract termination or expiration to ensure entry in VENDEX.

Audit Follow-up

DYCD reported that it has implemented most of the audit's recommendations. DYCD reported that concurrent with the award of fiscal year 2008 contracts, it has developed and

adopted new procedures, revised contract monitoring tools, and provided additional training to program managers. It is also embarking on projects to better assess program outcomes.

SECTION II

NON-GOVERNMENT AUDITS

CLAIMS

During Fiscal year 2007, reports were issued on claims filed against the City. The analyses-accepted amount for those claims totaled \$1,329,321. This resulted in a potential cost avoidance of \$22,971,372 as shown below:

| | |
|--------------------------------|-----------------|
| Total Claim Amount | \$ 24,300,693 |
| Less: Analyses Accepted Amount | \$ 1,329,321 |
| Potential Cost Avoidance | \$ 22,971,372 * |

*Note: As stated, these cost-avoidance figures are only “potential.” They are based on results of analyses, and 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 12 claims follows:

| REPORT NUMBER | CLAIMANT | DATE ISSUED | CLAIM AMOUNT | ANALYSES ACCEPTED AMOUNT | DISPOSITION SETTLEMENT AMOUNT |
|---------------|---------------------------------------|-------------|---------------------|--------------------------|-------------------------------|
| FP06-133S | Claim n-Tier Technology, LLC | 07/12/06 | * | * | * |
| FP06-142S | Claim 21T Consulting, Inc. | 08/09/06 | * | * | * |
| FP06-117S | Claim Quincunx, LLC | 08/11/06 | * | * | * |
| FP06-087S | Claim Marinette Marine Corporation | 09/11/06 | * | * | * |
| FP07-072S | Claim Gotham Per Diem, Inc | 10/27/06 | * | * | * |
| FP07-070S | Claim Gabriel Scavello | 11/21/06 | * | * | * |
| FP06-070S | Claim Schiavone Construction Co., Inc | 11/21/06 | * | * | * |
| FP07-110S | Claim CDW Government, Inc. | 02/02/07 | * | * | * |
| FP07-116S | Claim Verizon—New York, Inc. | 03/23/07 | * | * | * |
| FP07-109S | Claim Transdyn, Inc. | 03/27/07 | * | * | * |
| FP07-119S | Claim Data Industries, Ltd. | 05/17/07 | * | * | * |
| FP07-126S | Claim Verizon Communications, Inc. | 06/19/07 | * | * | * |
| | FISCAL YEAR 2007 TOTALS | | \$24,300,693 | \$1,329,321 | \$22,971,372 |

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 Economic Development Corporation (EDC), Department of Information Technology and Telecommunications, and the Department of Parks and Recreation (Parks). Our audits evaluate the payments made by such entities as sports franchises and hotels. As shown below, Fiscal Year 2007 audits resulted in collecting actual revenues totaling \$1,568,951 and potential revenues totaling \$1,157,212. Additional revenue can be collected if all audit recommendations are followed.

| <u>Audit Number</u> | <u>Audit Library No.</u> | <u>Agency/Title</u> | <u>Date Issued</u> | <u>Actual Revenue To Date</u> | <u>Remaining Potential Revenue</u> |
|---------------------|--------------------------|---|--------------------|-------------------------------|------------------------------------|
| FM06-115A | 7805 | EDC–Astoria Studios Limited Partnership II | 06/29/07 | \$135,237 | -0- |
| FN07-088A | 7776 | EDC-Staten Island Minor League Holdings, L.L.C. | 06/18/07 | \$1,028,714 | -0- |
| FM06-125A | 7764 | Parks–York Avenue Tennis, L.L.C. | 06/17/07 | \$48,897 | -0- |
| FM07-099A | 7789 | Parks–Alley Pond Golf Center, Inc. | 06/27/07 | \$ 13,016 | -0- |
| FP05-128A | 7759 | Parks–Central Park Boathouse, L.L.C. | 03/28/07 | \$121,791 | \$747,654 |
| FR07-091A | 7804 | First Tee of Metropolitan New York, Inc. | 6/29/07 | \$221,296 | \$409,558 |
| | TOTAL | | | \$1,568,951 | \$1,157,212 |

ECONOMIC DEVELOPMENT CORPORATION

Audit Report on the Compliance of Astoria Studios Limited Partnership II with Its Lease Agreement

Audit #FM06-115A

Comptroller's Audit Library #7805

Issued: June 29, 2007

Monetary Effect: Actual Revenue \$135,237

Introduction

This audit determined whether Astoria Studios Limited Partnership II (Astoria) properly reported its net income, paid all rent due, and complied with certain major non-revenue terms (i.e., utility charges, insurance, and submitted required reports). A lease agreement between Astoria and the New York City Economic Development Corporation (EDC) permits Astoria to manage motion picture and television studios in Astoria, Queens.

For calendar year 2005, the period covered by the audit, the lease agreement required Astoria to pay the City \$350,004 in base rent and \$645,643 in tax rent billed quarterly by the Department of Finance. The agreement also required Astoria to pay an additional rent equivalent to 17.5 percent of net income. The additional rent was payable within 120 days after the end of each year. During the period, Astoria generated approximately \$6.9 million in revenues and reported a net loss of \$3.2 million. Net income is the basis for ascertaining additional rent due the City. EDC is responsible for overseeing the lease agreement.

Results

The audit found that Astoria paid all rents due in a timely manner and maintained sufficient insurance coverage. However, Astoria underreported its net income by \$591,704, reporting improper deductions and including administrative expenses pertaining to other businesses and attributing them to the Astoria Studios. Since Astoria reported a net loss of \$3.2 million on its schedule of Calculation of Additional Rent, the underreported net income did not result in any additional rents due the City. Moreover, Astoria had not paid water and sewer charges since 1995. Subsequently, DEP billed Astoria's account for \$135,237 for water and sewer from April 21, 2002, to April 21, 2006. Astoria paid the \$135,237 billed in installments. Astoria did not name the City and EDC as additional insureds under its excess liability policy, as required; nor did it submit audited financial statements and additional-rent-due calculations to EDC in a timely manner.

The audit recommended that Astoria should:

- Accurately calculate net income and additional rent payments in accordance with the terms of the lease agreement.
- Develop a formalized method of allocating administrative expenses incurred by Kaufman Astoria Studios Inc. (KASI) for managing the Astoria Studios.
- Maintain documentation to support the allocation of administrative expenses incurred by KASI.

- Ensure that any retroactive and subsequent water and sewer charges are promptly paid.
- Ensure that all liability insurance policies continue to name the City and EDC as additional insureds.
- Submit audited financial statements and additional rent calculation to EDC within 120 days from the close of its fiscal year.

The audit recommended that EDC should:

- Review the allocation method developed by KASI to ensure its administrative expenses are properly allocated to Astoria Studios.
- Ensure that Astoria complies with the recommendations in this report.

Although Astoria agreed with certain aspects of the audit findings, it disagreed with the amounts of the audit exceptions and did not respond to any of the audit's recommendations.

EDC officials agreed with the audit's recommendations and stated that "EDC will ensure that Astoria Studios complies with the recommendations set forth in the audit report."

Audit Follow-up

EDC reported that it is in the process of implementing the audit's recommendations.

Astoria reported that all of the audit's recommendations have been implemented.

ECONOMIC DEVELOPMENT CORPORATION

Audit Report on the Compliance of Staten Island Minor League Holdings, L.L.C., (Staten Island Yankees) with Their Lease Agreement—January 1, 2005–October 31, 2006

Audit #FN07-088A

Comptroller's Audit Library #7776

Issued: June 18, 2007

Monetary Effect: Actual Revenue: \$1,028,714

Introduction

This audit determined whether the Staten Island Minor League Holdings, LLC (doing business as the Staten Island Yankees) paid EDC the rent due in accordance with lease provisions and whether the payments were made on time. The audit also determined whether the Staten Island Yankees submitted required reports, maintained required insurance, reimbursed EDC for electricity use, paid for water and sewer use, provided the proper security deposit, made the required capital sinking-fund contributions, and implemented the recommendations made in our prior audit, *Audit Report on the Compliance of Staten Island Minor League Holdings, L.L.C. (Staten Island Yankees), with Their Lease—#FN05-106A*, dated April 21, 2006. On December 7, 2000, the Staten Island Yankees and the New York City Economic Development Corporation (EDC) entered a 20-year lease granting the Staten

Island Yankees the exclusive right for the use and operation of the Richmond County Bank Ballpark in Staten Island. This audit covered the period January 1, 2005, through October 31, 2006.

Results

The Staten Island Yankees adhered to certain non-revenue-related requirements of the agreement including: maintaining property and liability insurance endorsing the City and EDC as additional insured parties; depositing a required \$50,000 security deposit with EDC; and paying water and sewer charges. The audit also noted that the Staten Island Yankees did not owe rent for game attendance, team store, and special events for the audit period. In addition, the Staten Island Yankees improved their internal control over reported attendance, addressing the weakness cited in the prior report.

However, the Staten Island Yankees failed to pay EDC a total of \$1,581,154 for reimbursement of electricity use, signage revenue, sinking fund capital contributions, and previous audit assessments. On January 4, 2007, at the conclusion of our audit fieldwork, the Staten Island Yankees signed a lease amendment and agreed to pay the amount of \$1,427,899 in full settlement of all outstanding balances owed. Of the settlement amount, EDC accepted \$399,185 as satisfaction against all prior audit assessments, and \$1,028,714 in satisfaction of the current audit assessment. This monetary settlement was precipitated by the impending sale of the Staten Island Yankees through a total acquisition of interest by their minority shareholder. On April 9, 2007, EDC confirmed that the total amount of \$1,427,899 had been received from the Staten Island Yankees.

The audit recommended that the Staten Island Yankees ensure that it remits to EDC timely payments for all required electricity payments, signage revenue, and sinking-fund contributions.

The audit also recommended that EDC ensure that the Staten Island Yankees pay all lease fees on time.

The EDC response indicated that EDC will continue to monitor the account closely and take appropriate action to ensure full and timely payments of all fees by the Staten Island Yankees. In their response, Staten Island Yankee officials expressed no comments on the report's recommendations.

Audit Follow-up

EDC reported that it is in the process of implementing the audit's recommendation.

The Staten Island Yankees reported that all electric payments are now paid directly to Con Edison by Staten Island Minor League Holdings LLC, who then bills EDC for their portion of the bills. All other payments have been paid on time.

DEPARTMENT OF PARKS AND RECREATION

Audit Report on the Compliance of York Avenue Tennis, LLC, with Certain Provisions of Its License Agreement and Payment of Fees Due the City

Audit #FM06-125A

Comptroller's Audit Library #7764

Issued: June 7, 2007

Monetary Effect: Actual Revenue: \$48,897

Introduction

The audit determined whether the York Avenue Tennis, LLC (York) accurately reported its total gross receipts, properly calculated the license fees due the City, paid its license fees on time; and complied with certain major non-revenue terms of its license agreement (i.e., carried the proper types and amounts of insurance, maintained the proper security deposit; and paid for its utilities).

On August 13, 1997, the Department of Parks and Recreation (Parks) awarded York Avenue Tennis, LLC a ten-year license agreement that expired on April 29, 2007. The license agreement requires York, located under the 59th Street Bridge in Manhattan, to provide the public with an indoor tennis facility and a refurbished clubhouse. York is required to pay the City minimum annual fees of \$315,000 in the first year, escalating annually to \$488,668 in the tenth year, or 25 percent of gross receipts derived from the operation of the license agreement, whichever is greater. A late charge of 2 percent per month is applied to license fees that are not paid on time. The agreement states that gross receipts shall include all funds received by the licensee from its tennis operation, without any deductions, and all funds received from the sale of food, wares, merchandise, or services of any kind resulting directly or indirectly from the operation of the license. The agreement was amended on July 21, 2004, to permit York to deduct professional fees paid to tennis instructors functioning as independent contractors from the gross receipts derived from its operations.

York is also required to carry Workers' Compensation insurance; carry a \$1 million employer liability and general liability insurance policy that names the City as an additional insured; maintain a \$122,167 security deposit with the City; and pay all required utility charges. For the period May 1, 2004, to April 30, 2006, the period covered by the audit, York reported revenues totaling \$5,566,035 and paid the City \$1,391,509 in license fees.

Results

York generally adhered to the provisions of its license agreement with the City. It recorded its revenue fairly in its books and records, accurately calculated and paid its minimum annual fee payments on time, maintained the required property and liability insurance that named the City as an additional insured party, contributed the required \$122,167 as security deposit, and paid the required charges for utilities and water and sewer use. It had an adequate system of internal controls over its revenue and recording functions.

However, York made a non-allowable deduction from gross revenue on its reported gross revenue submitted to the City for operating years 2005 and 2006. Specifically, on the gross-

receipts statements that it submitted to Parks, York improperly deducted from the revenue reported \$149,728 in “professional fees” paid to employees who were not functioning as independent contractors—those individuals who give instruction in the rules, methods and techniques of the game of tennis. Those deductions totaled \$76,579 for the 2005 season and \$73,149 for the 2006 season. Consequently, York owes the City \$37,432 in additional fees (\$19,145 for 2005 and \$18,287 for 2006) plus \$11,465 for late charges.

The audit recommended that York Avenue Tennis, LLC:

- Pay the City \$48,897 in additional license fees and late charges.
- Deduct from gross revenue professional fees paid only to those individuals receiving 1099 tax statements.
- Annually provide Parks with a schedule detailing the names and the amounts paid to each tennis instructor functioning as an independent consultant. The total amount reported on the schedule should equal the amount of professional fees deducted from gross revenue.
- Immediately cease deducting any payment from gross revenue made directly or indirectly to any director, officer, member, partner, affiliated party, or employee who has any interest in York Avenue Tennis, LLC.

The audit recommended that Parks should:

- Require York to cease deducting the portion of gross receipts it derived from tennis services provided at other locations and the portion of professional fees paid to its Director, affiliated third-parties, and its employees. Should York fail or refuse to implement such corrective action, Parks should consider exercising its option to terminate the agreement.
- Ensure that York pays the City \$48,897 in additional license fees and late charges.
- Use the recommended schedule, to be provided by York, to verify the amount of professional fees deducted from gross revenue.
- Ensure that York complies with the recommendations made in this report.

York officials agreed with all five of the report’s recommendations and paid the City \$48,897 in additional fees plus interest. Parks confirmed receipt of York’s payment and instructed York to comply with all audit recommendations.

Audit Follow-up

York reported that it plans to implement all of the audit’s recommendations.

Parks reported that in March 2007, it issued a Notice to Cure to York to implement all of the audit’s recommendations.

DEPARTMENT OF PARKS AND RECREATION

Audit Report on the Compliance of Alley Pond Golf Center, Inc., with Its License Agreement and Payment of Fees Due

Audit #FM07-099A

Comptroller's Audit Library #7789

Issued: June 27, 2007

Monetary Effect: Actual Revenue: \$13,016

Introduction

The audit determined whether Alley Pond Golf Center, Inc. (Alley Pond) properly calculated gross receipts and license fees due the City, paid these license fees on time, and complied with other major requirements of its license agreement (i.e., security deposit, insurance, utility charges). The audit covered the period January 1, 2005, through December 31, 2006.

A license agreement between Alley Pond and the Department of Parks and Recreation (Parks) permits Alley Pond to operate, maintain, and manage the Alley Pond driving range and miniature golf course at 232-01 Northern Boulevard in Queens.

Results

The audit found that Alley Pond generally adhered to the provisions of its lease agreement with the City. Alley Pond had an adequate system of internal controls over its collection and reporting of gross receipts, paid the required minimum fee on time, maintained the required property and liability insurance, paid the required utility charges, and contributed \$250,000 as security deposit. Alley Pond properly calculated the amount of license fees due the City for 2006.

However, Alley Pond did not properly calculate the total amount of license fees due the City for operating year 2005 and owes the City an additional \$13,016 in fees and penalties. For operating year 2005, the percentage of gross receipts exceeded the \$1 million minimum fee by \$10,579. Moreover, it was calculated that Alley Pond owes the City \$2,437 in penalties for failing to make the required outstanding payment on time. Therefore, the total amount due the City is \$13,016 (i.e., \$10,579 plus \$2,437).

Finally, although Parks is responsible for administering the Alley Pond agreement, it did not register the agreement and subsequent assignments with the Comptroller's Office, as required by City regulations.

The audit recommended that:

- Alley Pond pay the City \$13,016 in additional fees and penalties.
- Parks ensure that Alley Pond pays the City \$13,016 in additional license fees and penalties. If Alley Pond fails to make payment, Parks should use a portion of Alley Pond's security deposits to satisfy the amount due.
- Parks should ensure that all agreements and related assignments are submitted to the Comptroller's Office for registration.

In their response, Alley Pond officials stated that a check in the amount of \$13,016 had been sent to Parks. In its response, Parks stated that it agreed with the audit's recommendations and that procedures have been implemented to comply with Recommendation #3.

Audit Follow-up

Parks and Alley Pond officials reported that all of the audit's recommendations have either been implemented or are in the process of being implemented.

DEPARTMENT OF PARKS AND RECREATION

Audit on the License Fees Due from Central Park Boathouse, LLC, and Compliance with Certain Provisions of Its License Agreement

Audit #FP05-128A

Comptroller's Audit Library #7759

Issued: March 28, 2007

Monetary Effect: Actual Revenue: \$121,791

Potential Revenue: \$747,654

Introduction

This audit determined whether the Central Park Boathouse, LLC, (the Boathouse) accurately reported its total gross receipts, properly calculated the license fees due the Department of Parks and Recreation (Parks), paid the license fees on a timely basis, and complied with certain other non-revenue-related requirements of the license agreement.

Results

The audit found that the Boathouse generally complied with the non-revenue requirements of the license agreement: it remitted a letter of credit to cover the security deposit to Parks, paid all its utility bills, paid late fees assessed by Parks, operated a shuttle service to and from the Boathouse, had the certificates of occupancy and incorporation on file, provided 24-hour security, supplied 100 new rowboats and bicycles for rental, maintained required insurance coverage, and named the City as an additional insured.

However, the Boathouse did not accurately report a total of \$2,392,669 in gross receipts. As a result, it owes Parks \$381,070 in license fees, plus late charges, for the following findings:

- \$412,012 in gross receipts from catering, film-shoots, and bicycle-rental sales was underreported by the Boathouse. Accordingly, the Boathouse owes \$65,922 in license fees, plus late charges. An additional \$190,611 of bicycle-rental sales may have been underreported based on non-projectable estimates. These could result in an additional \$30,498 in license fees, plus late charges.

- \$1,513,950 was improperly deducted from reported gross receipts. Accordingly, the Boathouse owes \$241,911 in additional fees, plus late charges.
- \$255,302 for the value of employee meals and complimentary meals was not reported in gross receipts. Accordingly, the Boathouse owes \$40,798 in additional fees, plus late charges.
- \$185,988 in gross receipts was recorded on Boathouse records but not posted to the monthly gross-receipts report submitted to Parks. Accordingly, the Boathouse owes \$28,372 in additional fees, plus late charges.
- \$25,417 from gift-certificate sales that was not reported in gross receipts. Accordingly, the Boathouse owes \$4,067 in license fees plus late charges.

Further, the Boathouse lacks adequate controls over gondola-ride sales, and does not have sufficient safeguards over password access to its computerized point-of-sale system.

The report made 36 recommendations, 22 to the Boathouse and 14 to Parks. In its response, Parks agreed with 27 of the 36 audit recommendations, partially agreed with 4 recommendations, disagreed with 1 recommendation, and has forwarded to the City's Law Department issues concerning the 4 remaining recommendations. Parks officials stated that a Notice to Cure has been issued requiring the Boathouse to pay \$113,854 in additional fees and interest.

The Boathouse's attorney agreed that his client owes \$61,880 for underreported film-shoot receipts. He disagreed with the findings concerning the improper deduction of wages for catering staff from gross receipts and the exclusion of complimentary meals from gross receipts.

Audit Follow-up

Parks reported that the recommendations with which it agreed have either been implemented or are in the process of being implemented. The Boathouse has paid a total of \$121,791 to date, \$117,268 to Parks for certain unpaid license fees and \$4,523 to New York State in compensating use tax as result of our audit.

In regards to the disallowed gratuity deduction issue which Parks forwarded to the City's Law Department for a legal opinion, Parks on October 18, 2007 issued a demand letter to the Boathouse requesting payment of \$345,911 for additional license fees and interest due for the audit period. Parks demand letter also requires the Boathouse to pay additional license fees plus interest and late fees for the periods October 2001 through December 2003 and January 2006 through August 2007. Parks' demand letter does not identify the amount of additional license fees due for these periods. Based on the Boathouse's monthly revenue reports submitted to Parks we determined that the additional license fees due amounted to \$401,743 before interest and penalties. Therefore, the City may realize an additional \$747,654 (\$345,911 plus \$401,743) as a result of our audit.

DEPARTMENT OF PARKS AND RECREATION

Audit Report on the Compliance of First Tee of Metropolitan New York, Inc., with Its License Agreement and Payment of Fees Due

Audit #FR07-091A

Comptroller's Audit Library #7804

Issued: June 29, 2007

Monetary Effect: Actual Revenue: \$221,296¹

Potential Revenue: \$409,558²

Introduction

This audit determined whether First Tee of Metropolitan New York, Inc. (First Tee) properly calculated gross receipts and license fees due the City, and paid these license fees on time; complied with requirements for obtaining reimbursements for undertaking temporary improvements and for recovering lost revenue; and complied with the major requirements of its license agreement with the Department of Parks and Recreation (Department).

Under the terms of the license agreement, First Tee operates and maintains the Mosholu Golf Course and associated facilities in Van Cortlandt Park, the Bronx. First Tee—a local chapter of a non-profit organization—is required to pay the City the greater of a minimum annual fee or an annual percentage of gross receipts. The agreement also requires First Tee to reconfigure and make temporary improvements to the golf course as a result of the City's use of a portion of the concession premises for a new water-treatment plant. The agreement also required the City to reimburse First Tee quarterly for the revenue that would be lost as a result of disruptions caused by the treatment plant's construction.

For calendar year 2006, First Tee reported receiving \$537,482 in gross receipts and surcharges and paid the minimum required \$140,000 in fees.

Results

The audit determined that First Tee generally complied with license-agreement requirements pertaining to paying utility bills on time, submitting the required security deposit, maintaining proper insurance coverage, submitting on time a report of rounds of golf played and a statement of gross receipts. However, the amount of gross receipts that First Tee reported to the Department for calendar year 2006 should have included an additional \$18,704 for program fees. Further, an additional \$21,245 in receipts are questionable because they lacked adequate supporting documentation to qualify as sponsorships, thereby permitting their exclusion from gross receipts. (The additional receipts, however, would not have resulted in the minimum annual fee threshold being exceeded and would not have affected surcharges paid by First Tee to the Department. The additional receipts do affect the reimbursements that First Tee received for lost revenue.)

¹ This amount consists of \$178,801 for understated excess gross receipts and \$42,495 for interest revenue.

² This amount consists of \$398,938 in potential revenue from 2007 to 2012 and \$10,620 from interest lost.

First Tee improperly calculated the amount of revenue that was lost as a result of construction disruptions. First Tee understated its excess gross receipts and was overpaid \$157,556 in reimbursements for lost revenue in calendar year 2006. Given that an additional \$21,245 in revenue could not be substantiated, First Tee may actually have been overpaid \$178,801 in reimbursements. In its response, First Tee stated that “the lost revenue reconciliation submitted to Parks early in 2006 was not done properly.” Consequently, the City will obtain an additional \$398,938 in potential revenue from 2007 to 2012 (according to First Tee projections in the license agreement) by using the correct reconciliation.

Finally, First Tee did not deposit in a required interest-bearing account additional reimbursements it received for making temporary improvements, thereby causing the City to forfeit up to \$53,115 in interest revenue.

There were internal control weaknesses in the manner in which First Tee recorded its revenue. Moreover, First Tee did not have required insurance endorsements, and did not submit on time required income-and-expense statements and financial statements.

The audit made 13 recommendations, including that First Tee should:

- Obtain prior Department approval for all sponsorship agreements that are being used for charitable purposes.
- Include all revenue from programs fees when reporting gross receipts.
- Credit the City up to an additional \$178,801 for excess gross receipts earned during operating year 2006.
- Calculate excess gross receipts by using modified projected gross receipts, as required.

The Department should:

- Ensure that First Tee complies with the terms of the license agreement.
- Deduct up to \$53,115 from future advances or reimbursements to First Tee, and ensure that First Tee deposits all funds in an interest bearing account.

Audit Follow-up

The Department reported that on June 12, 2007, it issued a Notice To Cure for First Tee to implement the audit’s recommendations. On June 19, 2007, The Department issued an amendment in which it agreed to adjust the \$244,129 overpayment for excess gross receipts-comprised of \$65,328 originally reported by First Tee plus the additional understated amount of \$178,801 (uncovered in the audit). In addition, the Department reported it has collected \$42,495 of the \$53,115 in interest revenue, leaving a balance of \$10,620 still uncollected.

First Tee reported that it is working diligently with the Department to resolve remaining issues.

AUDIT OF RENTAL CREDITS SUBMITTED BY THE NEW YORK YANKEES

According to the terms of their lease with the City, the Yankees are responsible for the care and upkeep of Yankee Stadium, and the costs incurred by the Yankees for maintaining the stadium are offset against any rental income due the City from the Yankees. The Comptroller's Office performs audits of labor and material expenses based on the terms of the lease and on the time sheets, invoices, canceled checks, payroll reports, and union contracts submitted by the Yankees and their maintenance contractors. Thus, every approved dollar spent and accounted for as a rental credit for the maintenance of the stadium results in a dollar-for-dollar decrease in the rent due the City.

In Fiscal Year 2007, audits disallowed \$344,349 in rental credits for insufficient documentation, ineligibility of expenses, and errors in calculations. The Yankees accepted \$344,349 of these disallowances.

| Audit No. | Period Covered | Date Issued | Actual Revenue | Potential Revenue | Total |
|--------------|----------------|-------------|------------------|-------------------|------------------|
| FN06-135A | 4th Qtr. 2005 | 12/06/06 | \$107,892 | \$0 | \$107,892 |
| FN07-071A | 1st Qtr. 2006 | 01/10/07 | \$29,637 | \$0 | \$29,637 |
| FN07-075A | 2nd Qtr. 2006 | 06/06/07 | \$ 69,881 | \$0 | \$ 69,881 |
| FN07-112A | 3rd Qtr. 2006 | 06/29/07 | \$136,939 | \$0 | \$136,939 |
| TOTAL | | | \$344,349 | \$0 | \$344,349 |

WELFARE FUNDS

Audit Report on the Financial and Operating Practices of the Local 333 Insurance Fund for New York City Employees

Audit #FL05-090A

Comptroller's Audit Library #7784

Issued: June 26, 2007

Monetary Effect: None

Introduction

This audit determined whether Local 333 Insurance Fund for New York City Employees (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. This audit covered the period January 1, 2004, through December 31, 2004.

Results

The audit disclosed that the Active Fund was not in compliance with the procedures and reporting requirements of Comptroller's Directive #12. In addition, the Active Fund had no written benefit-processing or accounting procedures and made benefit payments totaling \$94,560 to ineligible individuals or made them without supporting documentation. Further, the Active Fund spent a significantly larger percentage of its City contributions on administrative expenses when compared to other, similarly-sized welfare funds. Specifically, the Active Fund:

- did not receive the proceeds from stock issued by Prudential in 2002 until 2004 because the Active Fund's trustees failed to distribute the proceeds in a timely manner, with \$79,337 remaining outstanding;
- misstated benefit and administrative expenses on its Directive #12 filing;
- failed to solicit bids, as required by Directive #12, to procure insurance services;
- did not maintain time records for its employees as required by Directive #12;
- had no written procedures governing the processing of benefit payments;
- paid claims for dependents whose eligibility was not documented;
- did not have a formal agreement with its accountant;
- is owed \$895 by the Union (Local 333);
- is owed \$1,339 by the Retiree Fund;
- did not properly authorize checks; and
- spent a significantly larger percentage of its City contributions on administrative expenses when compared to other, similarly-sized funds.

The audit recommended that the Fund trustees should:

- Immediately discontinue its practice of depositing Fund assets in Union accounts.

- Recoup the remaining \$79,337 from the Union, determine a final allocation between the Active and Retiree Funds, and distribute the proceeds to the respective funds.

The audit made 11 recommendations to the Active Fund, including that it:

- Submit its Key Ratio Schedule and ensure that administrative and benefit expenses are recorded accurately on its Directive #12 filing, and accurately calculate its key ratios, in accordance with Comptroller's Directive #12.
- Solicit bids for all its insurance services, as required by Directive #12. This may allow the Active Fund to acquire insurance services in which retention costs would be more in line with those of other funds.
- Create and implement written timekeeping procedures and maintain daily attendance records and records of leave balances for its employees.
- Create and maintain written procedures governing the processing of benefit payments. These procedures should include maintaining an up-to-date list of eligible members, using City contribution reports, and requiring supporting documentation for all benefit payments. The eligibility list should be used by the Fund to update the insurance company's head count; to verify member eligibility before approving and paying claims; and to monitor the Active Fund's Annuity Fund administrator.
- Require that its members submit all documentation to substantiate eligibility of dependents.

Fund officials generally agreed with the audit findings and recommendations.

Audit Follow-up

The Fund reported that most of the audit's recommendations have been implemented. However, the Fund did not address the recommendations to recoup money from the Union and the Retiree Fund.

WELFARE FUNDS

Audit Report on the Financial and Operating Practices of the Local 333 Retirement Insurance Fund for New York City Retirees

Audit #FL05-091A
Comptroller's Audit Library #7785
Issued: June 26, 2007
Monetary Effect: None

Introduction

This audit determined whether the Local 333 Retirement Insurance Fund for New York City Retirees (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*. The audit reviewed the Retiree Fund's financial and operating practices for the period January 1, 2004, through December 31, 2004.

Results

The audit disclosed that the Retiree Fund was not in compliance with the procedures and reporting requirements of Comptroller's Directive #12. Moreover, the Retiree Fund had no written benefit-processing or accounting procedures and made benefit payments totaling \$34,254 to ineligible individuals or made them without supporting documentation. Further, the Retiree Fund spent a significantly larger percentage of its City contributions on administrative expenses than other, similarly-sized welfare funds. Specifically, the Retiree Fund:

- did not receive the proceeds from stock issued by Prudential in 2002 until 2004 because the Retiree Fund's trustees failed to distribute the proceeds in a timely manner; with \$79,337 remaining outstanding.
- misstated benefit and administrative expenses on its Directive #12 filing;
- had no written procedures governing the processing of benefit payments;
- paid claims for dependents whose eligibility was not documented;
- spent a significantly larger percentage of its City contributions on administrative expenses than other, similarly-sized funds;
- failed to solicit bids to procure insurance services, as required by Directive #12;
- did not have a formal agreement with its accountant;
- is owed \$662 by the Union (Local 333);
- is owed \$1,147 by the Active Fund;
- did not maintain time records for its employees as required by Directive #12; and
- did not properly authorize checks.

The audit recommended that the Fund trustees should:

- Immediately discontinue its practice of depositing Fund assets in Union accounts.
- Recoup the remaining \$79,337 from the Union, determine a final allocation between the Active and Retiree Funds, and distribute the proceeds to the respective funds.

The audit made 10 recommendations to the Retiree Fund, include that it:

- Submit its Key Ratio Schedule and ensure that administrative and benefit expenses are recorded accurately on its Directive #12 filing, and accurately calculate its key ratios, in accordance with Comptroller's Directive #12.
- Create and maintain written procedures governing the processing of benefit payments. Those procedures should include maintaining an up-to-date list of eligible members, using City contribution reports and requiring supporting documentation for all benefit payments.

The eligibility list should be used by the Fund to update the insurance company's head count and to verify member eligibility before approving and paying claims.

- Require that its members submit all documentation to substantiate eligibility of dependents.
- Maintain copies of all documentation in members' permanent files.
- Strive to accomplish its mission in an efficient and economical manner by bringing administrative costs more in line with those of other funds of similar size. In that regard, the Retiree Fund should solicit bids for all its insurance services, as required by Directive #12. This may allow the Retiree Fund to acquire insurance services at the best possible rate.

Fund officials generally agreed with the audit findings and recommendations.

Audit Follow-up

The Fund reported that most of the audit's recommendations have been implemented. However, the Fund did not address the recommendations to recoup money from the Union and the Active Fund.

WELFARE FUNDS

Analysis of the Financial and Operating Practices of Union-Administered Benefit Funds Whose Fiscal Years Ended in Calendar Year 2004

Audit #FM06-088S

Comptroller's Audit Library #7750

Issued: December 18, 2006

Monetary Effect: None

Introduction

Union-administered benefit funds were established under collective bargaining agreements between the unions and the City. They 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). This report contains a comparative analysis of 98 welfare, retiree, and annuity funds whose fiscal years ended in calendar year 2004. Those funds received approximately \$921.5 million in total City contributions for the fiscal year.

Results

This is the 25th report by the Comptroller's Office that reviewed 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 parts of Comptroller's Directive #12 requirements and of fund agreements with the City.

The report contains 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.

Audit Follow-up

Not Applicable

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