



**Report To  
The Mayor and City Council on  
City Comptroller Audit Operations  
Fiscal Year 2008**

**February 27, 2009**

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Comptroller**

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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 2008. My audit bureaus issued 80 audits and special reports during the fiscal year that resulted in \$16.5 million in actual revenues and savings, \$33 million in potential revenues and savings, and called into question another \$26.1 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 2008 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 peer review every three years. During my tenure as Comptroller, the audit bureaus have undergone two such reviews, the last having been completed in November 2007. It gives me pleasure to report that the Institute of Internal Auditors concluded in both reviews that the Comptroller's Office complies with generally accepted government auditing standards. In addition, both reviews reported no findings and presented no recommendations for improvement. In fact, the most recent review expressly noted several areas for which the bureaus should be commended.

I took office during the aftermath of the 9/11 disaster and the recession that gripped our City. At that time the City budget faced annual deficits projected to average \$5 billion. 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. Given the City's dire fiscal condition at that time, I instructed the staff of the audit bureaus to focus their efforts on examining programs with the greatest potential risk of revenue loss, cost overruns, mismanagement, inefficiency, waste, and abuse.

During Fiscal Years 2002 through 2008 the audit bureaus have achieved great success in following my mandate: they have identified millions of dollars in revenue and savings, and have documented many instances of program inefficiency and mismanagement. The 658 audits and special reports issued during those seven years have generated a total of \$260.2 million in actual and potential revenues and savings, and have called into question \$119.6 million associated with claims filed against the City.

The audits issued in Fiscal Year 2008 covered a wide range of subjects in program performance, asset management, internal controls, and information technology that involved revenue identification and collection, cost efficiency, and effectiveness. The most significant findings are highlighted below.

### **Revenue and Cost Savings**

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

- An audit of the Department of Environmental Protection's (DEP's) billing and collecting of water and sewer charges from private hospitals determined there were significant internal control weaknesses in DEP's collection practices that resulted in \$10.6 million in outstanding charges. The auditors noted that DEP could not readily identify all hospital accounts, could not aggregate charges common to a single customer, and had no written collection policies and procedures for its staff to follow when billing and pursuing collections from hospitals. As a result of these weaknesses, DEP did not make timely and appropriate collection efforts. As of June 30, 2007, 32 of 58 private hospitals had outstanding charges totaling \$12.6 million and had made payments totaling only \$2 million by July 31, 2007.
- An audit of the United Nations Development Corporation (UNDC) lease agreement with the City disclosed that UNDC should remit to the City a total of \$12 million in additional rent. UNDC was established to provide office and residential space and other facilities for United Nations personnel and foreign missions as well as for other members of the international community. The lease requires UNDC to pay three separate rents to the City. One is paid annually, whereas the other two are paid quarterly. The annual payment, termed additional rent, is calculated based on 90 percent of UNDC's consolidated surplus. The audit found that UNDC owed the City \$12 million in additional rent resulting from UNDC's retention of its consolidated surplus in connection with the suspended UN Consolidation Building Project. After the auditors disclosed their findings to management of UNDC and the City, UNDC promptly paid the City \$6 million of the total audit assessment.
- An audit of the Economic Development Corporation's (EDC's) management of the Brooklyn Army Terminal (BAT) concluded that EDC did not comply with certain lease stipulations by not collecting appropriate rents and fees from all of its sub-tenants. The auditors determined that this resulted in the loss of rental fees totaling at least \$211,500. Also, EDC did not charge certain sub-tenants rents in accordance with market appraisals, again forgoing potential rental payments totaling almost \$300,000. In addition, EDC did not itself pay the City for water and sewer use, nor did it charge sub-tenants for water and sewer use as part of their sub-leases. Furthermore, EDC did not maintain records to properly substantiate more than \$37,000 in employee expenses. EDC's certified financial statements for the year ended June 30, 2007, reported BAT had total operating revenues of \$18,777,935, total operating expenses of \$11,405,171, and operating income of \$7,372,764. As a result of the audit, EDC was billed for water and sewer charges that were in arrears.
- An audit of the compliance of RCN Telecom Services of New York, Inc., (RCN) with its open video system and franchise agreements disclosed that RCN failed to report \$26,431,624 in revenue to the City for the period January 1, 1999, to December 31, 2005. RCN therefore owes the City \$1,784,594 in additional fees and interest, of which RCN paid the City \$1,286,637. Specifically, RCN did not report to the City any of the revenue generated from its

microwave-satellite operations, advertising sales commissions, resale services, and other revenue categories required to be reported to the City under its franchise agreements.

- An audit of the administration of the sales of surplus City-owned real estate by the Department of Citywide Administrative Services (DCAS) revealed certain inadequacies in the practices of selling surplus real estate properties. DCAS sells surplus properties, primarily vacant lots, at public auctions, thereby returning the properties to productive use and to the tax rolls. The audit determined that these poor practices weakened DCAS's ability to sell surplus properties at its June 13, 2006 auction resulting in \$6.5 million in forgone sales revenue. This is significant when considering DCAS listed 53 properties of which they sold 34 properties, or 36 percent, for a total of \$15 million at that auction.
- An audit of the compliance of New York Skyports, Inc., (Skyports) with its lease agreement found that Skyports violated the terms of several major provisions of its lease and may owe the City approximately \$6.1 million. Skyports's lease permits it the use of property along the East River between East 18<sup>th</sup> Street and East 23<sup>rd</sup> Street in Manhattan for a marina, a seaplane base, parking, mooring, fueling, and the servicing of motor vehicles, seaplanes, and watercraft. It also permits the sale of merchandise usually sold in connection with those services. The Department of Small Business Services (DSBS) manages the property on the City's behalf, and the EDC administers the terms of the agreement on behalf of DSBS.

The auditors determined that the general disregard of Skyports for maintaining the premises endangered public safety and may cost the City in excess of \$5.5 million of the \$6.1 million the City expended to rectify conditions. The auditors also noted that Skyports owes the City \$548,135 resulting from \$464,000 for emergency repairs performed by EDC, a minimum of \$46,614 for not paying 50 percent of the revenue derived from the sale of goods, merchandise, and advertising on the premises, and \$37,521 in water and sewer charges. In addition, EDC did not effectively oversee the operation of the lessee to ensure that Skyports complied with the terms and conditions of the lease.

### **Service Delivery and Program Performance**

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

- An audit of the adherence of the Department of Education (DOE) and the Department of Health and Mental Hygiene (DOHMH) to student vision and hearing screening program regulations disclosed that the agencies did not provide the screenings in accordance with applicable regulations. Chancellor's Regulation A-701 requires vision and hearing screenings to be conducted for students in pre-kindergarten through grade 3, in grades 5, 7, 10, and for new entrants. The Office of School Health (OSH) is a joint program consisting of DOE and DOHMH employees that provides health services to public school students, including vision and hearing screenings. Regardless of whether DOE or DOHMH conducts the screenings, DOE is ultimately responsible for the vision and hearing screening program and ensuring that all students are screened in compliance with Chancellor's Regulation A-701.

For the period reviewed, the agencies conducted only 66 percent of the required vision screenings, with 42 percent of the required DOE screenings conducted and 94 percent of the required DOHMH screenings conducted. The agencies conducted only 54 percent of the required hearing screenings, with 20 percent of the required DOE screenings conducted and 94

percent of the required DOHMH screenings conducted. The auditors concluded that the results were attributable to a lack of oversight and monitoring of the vision and hearing screening program by DOE, which had no central unit responsible for reviewing screening data during the audited period.

- An audit of the monitoring of the physical conditions of senior centers by the Department for the Aging (DFTA) found that DFTA's monitoring needs to improve in the follow-up of identified problems and in the provision of assistance to the centers in correcting those problems. DFTA contracts with 329 senior citizen centers throughout the City to provide services to the elderly.

Certain conditions at the centers noted by the auditors were also cited by DFTA in its own 2007 and its 2008 assessments. However, there was limited evidence that DFTA followed up on its findings or worked with senior citizen center officials to ensure that conditions were corrected. Some of these conditions still existed at the time the auditors visited the centers. There were fire and personal safety problems at many of those centers as well as improper conditions related to cleanliness and physical concerns in the bathrooms, kitchens, and throughout the centers.

- An audit of the Department of Sanitation's (DSNY) Vacant Lot Clean-up Program reported that the program had inadequate internal controls over the way it identified vacant lots for cleaning, processed complaints and work orders, and managed the cleaning of the lots. Under the Vacant Lot Clean-up Program, DSNY's Lot Cleaning Division (LCD) cuts weeds and removes debris and bulky items from City- and privately-owned vacant lots throughout the City. For Fiscal Year 2007, DSNY reported that it cleaned 6,191 vacant lots. Of these, 4,941 were City-owned and 1,250 were privately-owned.

In terms of identifying lots for cleaning and managing cleaning operations, the audit found there was a lack of segregation of duties and a lack of proper supervision. Field supervisors had near-total control in determining whether a lot was clean or dirty and, if dirty, the resources to be used to clean it. The auditors concluded that as a result, LCD resources appeared to have been used inefficiently. In addition, the inadequate internal controls increased the possibility that LCD resources could have been used for purposes contrary to their intended use. Regarding LCD's processing of complaints and work orders for vacant lots, the review found 1,800 cases that had been opened prior to July 1, 2007, and were still open as of November 2, 2007. These cases had been open for an average of more than three years.

- An audit of DOE's reporting of violent, disruptive, and other incidents at New York City public high schools found that DOE did not have effective controls to ensure that incidents were reported in accordance with the requirements of State Education Department (SED). All school districts, including New York City, are required to report annually to SED violent and disruptive incidents, as defined by SED, that occur in their schools. SED then posts the data on its Web site in its annual "Violent and Disruptive Incident Report" (VADIR). DOE developed and implemented a computer system, the On-line Occurrence Reporting System (OORS), to record incidents reported by the schools. DOE reports to SED only those incidents that are recorded in OORS.

For the 10 schools sampled by the auditors for the 2004-2005 school year, 414 (21%) of the 1,996 sampled incidents identified by the auditors were not entered in OORS. Of the 1,996 incidents, 1,247 (62%) were serious, and therefore were required by SED regulations to be

included in VADIR. Of these serious incidents, 174 (14%) were not entered in OORS. The auditors concluded that without more effective central controls, DOE could not ensure that incidents were in fact entered in OORS by its schools. The ineffective controls also prevented DOE from ensuring that those incidents determined to be violent and disruptive were reported consistently among schools, so that DOE could report them in accordance with SED requirements.

- An audit of the effectiveness of DOE in following up and resolving school-bus-related complaints disclosed that DOE did not effectively record, follow up, resolve, and close school-bus-related complaints. DOE's Office of Pupil Transportation (OPT) is responsible for ensuring that clean, safe, and reliable bus service is provided to and from school for students who are New York City residents. OPT maintains a Customer Service Unit (CSU) to address transportation concerns raised by callers and to assist in the resolution of complaints. A total of 376,257 school-age complaints were recorded during the period July 1, 2006, through January 15, 2008, and a total of 815 pre-k complaints were recorded during the period July 1, 2007, through January 15, 2008.

The auditors concluded that there was limited assurance that complaints brought to the attention of DOE regarding unreliable and or unsafe transportation of children were properly identified, determined to be valid, and resolved in a timely and appropriate manner. The auditors identified several areas of concern, including inadequate procedures for following up, resolving, and closing complaints. Further, the auditors noted that the inconsistent handling of complaints by CSU agents resulted in complaint descriptions not always being complete and clear, and assigned complaint numbers not always being provided to callers.

- An audit on the follow-up of violations issued by the Department of Buildings (DOB) concluded that DOB's efforts were inadequate as a result of deficiencies in DOB's execution of the programs and the lack of DOB authority to require access to buildings. As a consequence of DOB's inability to require access to buildings for re-inspections or to take additional actions to compel property owners to remedy violations on their property, outstanding violations may remain uncorrected for extended periods of time.

DOB's Enforcement Division runs various re-inspection programs, among them the Hazardous Re-inspection Program and the Certificate of Correction Audit Program. The auditors noted that DOB failed to re-inspect 20 percent of the properties targeted for re-inspection in September 2007 as part of its Hazardous Re-inspection Program because DOB could not gain access to the property. Moreover, of these properties, DOB's database contained requests for re-inspection notices for only 34 percent of the targeted properties. Additionally, DOB did not assess compliance for 33 percent of the Certificate of Correction violations that were randomly selected for the Certificate of Correction Audit Program for January through June 2007. Moreover, of the cases whose violations DOB determined were not in fact corrected, DOB took no further action against more than half of them.

### **Asset Management and Internal Controls**

The following are brief descriptions of audits of a number of agencies or public entities that identified significant deficiencies in internal controls and asset management:

- An audit of Department of Parks and Recreation (Parks) oversight of capital improvements made by Ferry Point Partners, LLC (Ferry Point) to develop, operate, and manage the Ferry Point Golf Course in the Bronx found that Parks did not effectively oversee the improvement and remediation work of Ferry Point. As a result, the City overpaid Ferry Point almost \$6 million in remediation costs and lost more than \$3 million in forgone license fees. The terms of a May 31, 2000 license agreement required Ferry Point to complete by January 1, 2003, at least \$22,470,000 in capital improvements and pay the City the greater of a \$1.25 million annual fee or a percentage of gross receipts. After excessive levels of methane gas—a hazardous substance—were detected in 1999, Ferry Point undertook remediation of the site.

The auditors concluded that because of ineffective oversight and poor controls by Parks over remediation work, \$6 million in costs submitted by Ferry Point and paid by Parks could not be substantiated and were not reasonable or necessary. Parks also permitted Ferry Point's contractor to collect fees that could have been remitted to the City, thereby defraying the cost of the remediation. Moreover, the lack of oversight by Parks led to scheduled capital improvement work either being substantially delayed or not being completed in accordance with the license agreement and modification, resulting in \$3 million in forgone license fees.

- An audit of the compliance with Comptroller's Directive #7 by the Engineering Audit Office (EAO) of DSNY found instances of noncompliance with provisions regarding change-order work. In Fiscal Year 2007, the year covered by the audit, DSNY's EAO approved for payment \$114,733,866 in vouchers for capital projects. Directive #7 provides City agency EAOs with guidelines for independently pre-auditing payment requests for a variety of construction and related consultant services contracts. EAOs have the important responsibility of insuring, prior to payment, that the City has received appropriate value under these contracts.

The auditors concluded that the DSNY EAO authorized for payment \$1,678,491 in vouchers associated with change orders that had not been registered with the Comptroller's Office, as required by Directive #7. Also, the EAO authorized questionable and excessive payments totaling \$370,466 for vouchers that lacked substantiating documentation and whose amounts exceeded estimated costs.

- An audit of travel expenses of DOE's Central Office found that DOE had inadequate internal controls over such expenses. DOE spent a total of \$16.3 million for travel expenditures during Fiscal Year 2007, the period covered by the audit. Of this amount, approximately \$4.8 million was spent by the Central Office. Central Office travel expenses are primarily for teacher training, meetings, conferences, retreats, and transportation. The audit found that the Central Office did not always adhere to DOE's own written procedures for the purchase and approval of travel expenses or to applicable sections of Comptroller's Directives #6 and #24, which promulgate procedures for City agencies to follow when processing vouchers for payment. While sampled expenditures were adequately supported by invoices, in general, their lack of underlying supporting documentation prevented the auditors from determining whether all purchases were reasonable.
- An audit of the cash and firearm custody controls of the Manhattan Property Clerk Division (PCD) of the Police Department (NYPD) disclosed that the controls over the custody, return, and disposition of firearms were inadequate. The PCD accepts, catalogs, and safeguards all property brought into its custody. The types of property accepted by PCD include cash, narcotics, rifles, handguns, and general property of varying description. The property is categorized as arrest evidence, investigatory, safekeeping, or decedent's property.

As a result of the weaknesses over controls of firearms, the Manhattan PCD officials could not immediately account for or retrieve from their designated storage 94 (29%) of the 324 sampled firearms brought in for safekeeping. The Manhattan PCD also failed to record pertinent information in its documents that would permit it to readily track and account for the firearms in its custody. Furthermore, rifles were stored in a disheveled manner, with some of the rifles lacking identifying tags, and firearms were kept by the Manhattan PCD office longer than required by NYPD regulations.

- An audit of the DEP job order contracting program (JOC) found weaknesses with the administration of the program. JOC is a procurement method for expediting maintenance, repairs, and small- or medium-sized construction projects. Under this program, DEP can instruct a contractor to perform individual tasks when necessary rather than awarding individual contracts for each small project. The cost of JOC work is based on previously established unit prices for specific items such as electrical, plumbing, and roofing. For Fiscal Years 2005 through 2007, the period covered by the audit, DEP issued 1,174 job orders and supplemental job orders totaling \$46.4 million.

The auditors concluded that internal controls governing the timeliness of JOC work were inadequate, which hindered the effectiveness of the JOC program and resulted in most job order projects not being developed or completed on time. In addition, when JOC work was delayed, DEP did not impose more than \$800,000 in liquidated damages on contractors. Also, there were problems with JOC work whose costs were not based on pre-established prices contained in the construction task catalogs. In some of these cases, the auditors concluded that DEP should not have used the JOC program as the procurement method to carry out the work.

- An audit of the monitoring of the award, transfer, and succession of Mitchell-Lama apartments by the Department of Housing Preservation and Development (HPD) revealed that HPD's oversight activities did not provide sufficient assurance that housing companies consistently complied with the City's Mitchell-Lama Rules. HPD is responsible for monitoring and overseeing financial and property management, waiting lists, and admission applications for City-sponsored Mitchell-Lama developments.

As the result of weaknesses in HPD's monitoring, there was no assurance that housing companies consistently complied with Mitchell-Lama Rules in the award, transfer, and succession of Mitchell-Lama apartments. Specifically, documentation was not retained to verify that only qualified applicants were approved and awarded apartments. In addition, HPD did not ensure that available vacancy reports, rent rolls, and waiting lists were compared or reviewed regularly as a means to detect potential irregularities or other questionable circumstances that may have required follow-up.

### **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. That being the case, 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 and missed deadlines, or that simply did not meet agency needs. Brief descriptions of some of these audits follow:

- An audit of the development and implementation of the Medical Assistance Tracking Information System (MATIS) by the Human Resources Administration (HRA) could not ascertain whether MATIS met the overall goals as stated in its original system justification. The objective of the MATIS system was to fully automate the business processes carried out by the Home Care Service Program (HCSP) of the HRA Medical Assistance Program, responsible for Medicaid-funded, non-institutional, long-term care programs.

The auditors found issues when performing sample testing and creating test cases to review and analyze the data stored in MATIS. Based on the test results, they concluded that MATIS contained inaccurate, outdated, and unreliable data. They also noted security weaknesses in MATIS, such as it did not require that users change their passwords on regular basis, and it was not equipped with an automatic lockout feature. Moreover, HRA did not have procedures in place to ensure that security violations are recorded, documented, and reviewed. Also, HRA did not incorporate MATIS into its agency-wide disaster recovery plan.

- An audit of the development and implementation of the Notice of Violation Administration System (NOVAS) by the DSNY determined that DSNY needed to address specific issues to improve the reliability of the system. Previous to the development of NOVAS, the summons-issuance process was performed manually, from the issuance of paper summonses to the creation of management reports. In 2004, DSNY contracted with ICICI InfoTech, Inc., to develop NOVAS, a computerized system that would automate and streamline the entire process. The contract with ICICI InfoTech, Inc. was valued at approximately \$4.5 million. In 2006 NOVAS became operational.

The results of the auditors' user surveys indicated that the users had problems or concerns that DSNY must resolve to improve the system's functionality and productivity. In addition, audit data-integrity testing indicated that NOVAS had problems in data reliability, such as the presence of inaccurate dates, an indicator of weak edit checks, and some security weaknesses. DSNY did not require that users regularly change their passwords for access to both the NOVAS handheld devices and the system itself. Also, the NOVAS did not restrict or control log-in access of inactive users. A review of DSNY's disaster-recovery plan revealed that DSNY had not fully developed and tested the disaster-recovery plan of NOVAS.

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,



William C. Thompson, Jr.

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## SUMMARY OF AUDIT RESULTS

Actual savings and revenues identified in Fiscal Year 2008 totaled \$16.5 million.

Potential cost avoidance, savings, and revenues identified in Fiscal Year 2008 totaled \$59.1 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 \$59.1 million:

- \$33 million represents potential cost savings or revenues from a variety of management and financial audit findings.
- \$26.1 million presents potential cost avoidance resulting from analyses of claims.

The Comptroller's Bureau of Management Audit and Bureau of Financial Audit issued 80 audits and special reports in Fiscal Year 2008. Audits of managerial lump sum 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 2008**

<b><u>REPORT TYPE</u></b>	<b><u>FISCAL YEAR 2008 NUMBER OF REPORTS</u></b>	<b><u>FISCAL YEAR 2008 ACTUAL SAVINGS/ REVENUE</u></b>	<b><u>FISCAL YEAR 2008 POTENTIAL SAVINGS/ REVENUE(1)</u></b>	<b><u>FISCAL YEAR 2008 POTENTIAL COST AVOIDANCE</u></b>	<b><u>TOTAL</u></b>
<b>Government Agencies</b>					
Audits	58	\$366,772	\$25,480,320	\$0	\$25,847,092
Managerial Lump Sum Reviews	NA	\$340,037	\$0	\$0	\$340,037
High Risk Voucher Reviews	NA	\$889,496	\$600,150	\$0	\$1,489,646
<b>Total Government Agencies</b>	<b>58</b>	<b>\$1,596,305</b>	<b>\$26,080,470</b>	<b>\$0</b>	<b>\$27,676,775</b>
<b>Non-Government Agencies</b>	<b>22</b>	<b>\$14,862,451</b>	<b>\$6,876,311</b>	<b>\$26,122,278</b>	<b>\$47,861,040</b>
<b>Grand Total Government and Non-Government Agencies</b>	<b>80</b>	<b>\$16, 458,756</b>	<b>\$32,956,781</b>	<b>\$26,122,278</b>	<b>\$75,537,815</b>

(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 Monitoring of the Physical Conditions of Senior Centers by the Department for the Aging

Audit #MD08-063A

Comptroller's Audit Library #7863

Issued: June 30, 2008

Monetary Effect: None

**Introduction**

This audit determined whether the Department for the Aging (DFTA) properly monitors the physical conditions of its senior citizen centers. DFTA plans, administers, and coordinates the provision of services that assist many of the City's 1.3 million elderly adults to participate in their communities and maintain their independence. It contracts with 329 senior citizen centers throughout the City's five boroughs to provide services to the elderly.

As part of its oversight and monitoring of these centers, each year DFTA conducts a formal assessment survey of each senior center through inspections by a program officer and a nutritionist. The survey primarily evaluates the center's social and nutritional programs; however, it also concerns the maintenance of the center. Centers that need improvement in service or maintenance are required to implement improvements by a specific date. The scope of the audit was July 1, 2007, through February 15, 2008, the date of the auditors' last visit to the centers.

**Results**

DFTA monitors the conditions of its senior citizen centers on a regular basis and uses methods for conducting and recording assessments that appear to be adequate. However, its monitoring needs to improve in the follow-up of identified problems and in the provision of assistance to the centers in correcting those problems. Certain conditions at the centers cited in the report were also cited by DFTA in its own 2007 and 2008 assessments (the majority of which took place between January and March 2007 and between January and April 2008). However, there is limited evidence that DFTA followed up its findings or worked affirmatively and promptly with senior citizen center officials to ensure that conditions were corrected. Some of the conditions cited by DFTA in its 2007 assessments still existed at the time of the auditors' visits, which took place between October and December 2007.

The visits to the 20 sampled senior centers provided evidence that the majority of the centers were accessible to the handicapped. In addition, the majority of the centers had evidence that fire drills were conducted and that written evacuation plans, diagrams, exits signs, and choking-victim signs were in place. All except one of the centers had at least two fire extinguishers, and all of them had first-aid kits and defibrillators, as required.

However, the visits to the 20 senior centers also provided evidence that the maintenance of these centers' safety, cleanliness, and physical conditions needed to be improved. There were fire and personal safety problems at many of the centers visited, as well as improper conditions related to cleanliness and physical concerns in the bathrooms, kitchens, and throughout the centers. At eight centers, problems were found with no more than 25 percent of the areas tested. However, at five centers, there were problems for at least 40 percent of

the areas tested—at three centers, there were noticeable concerns regarding maintenance and physical conditions. Although DFTA was aware of the conditions at those centers, the auditors were provided with little evidence of DFTA efforts to work with center management to have the conditions corrected.

The audit made 13 recommendations, 7 of which are listed below. DFTA should ensure that:

- The centers cited for problems with exit passageways immediately correct them.
- All senior citizen centers possess either current place-of-assembly permits, if required, or documentary evidence indicating that an annual fire inspection was conducted (or requested).
- All of its senior citizen centers conduct fire drills at least twice yearly and that they maintain complete documentary evidence of such drills.
- All senior citizen centers regularly inspect and document tests of their fire and safety systems.
- All of the centers fully comply with safety issues and concerns noted in this report.
- All of the bathrooms of the senior citizen centers are monitored on a regular basis, properly maintained, and repaired immediately when a problem is noticed.
- All senior citizen centers maintain safe and sanitary conditions in their kitchens, including maintaining a clean environment, ensuring that thermostats are placed in all freezers and refrigerators, and ensuring that all food is stored at proper temperatures.

DFTA officials generally agreed with 12 audit recommendations and partially agreed with one recommendation concerning place-of-assembly permits.

#### **Audit Follow-up**

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

**BROOKLYN BOROUGH PRESIDENT'S OFFICE**

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

Audit #MG07-114A

Comptroller's Audit Library #7832

Issued: May 21, 2008

Monetary Effect: None

**Introduction**

The audit determined whether the Brooklyn 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 for a term of four years by the people of each of the five New York City boroughs, are the executive officials of their boroughs. For Fiscal Year 2007, the *Comprehensive Annual Financial Report* of the Comptroller reported that the Borough President's Office expenditures totaled \$6.1 million: \$4.7 million for Personal Services (PS) and \$1.4 for Other Than Personal Services (OTPS).

The Topographical Unit of the Borough President's Office processes applications and assigns street numbers and vanity addresses, conducts street-status and building-alterations map reviews, and sells Borough maps. For Fiscal Year 2007, the Borough President's Office collected revenue of \$290,309 in Topographical 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 rules regarding payroll, personnel, purchasing, and cash receipts, and Department of Investigation standards regarding inventory activities.

However, the audit noted minor weaknesses in inventory practices, the depositing of cash receipts collected for Topographical fees, and in the payroll distribution process. Additionally, in other matters, the audit pointed out that the Borough President's Office should ensure that the collection and use of license fees for the use of Brooklyn Borough Hall comply with its agreement with the City.

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

- All equipment and furniture is assigned and tagged with sequential ID numbers and added to inventory when received.
- Inventory control records include the type of equipment, manufacturer, serial number (or unique identifying information), location, date purchased and received, and assigned ID numbers.
- Inventory records are updated to reflect any changes.
- All cash receipts are deposited in a timely manner.

- Employees sign for their payroll stubs.
- Collection and use of license fees for the use of Brooklyn Borough Hall comply with the December 1991 agreement.

In their response, Borough President's Office officials agreed with three recommendations, changed its policies to make one no longer applicable, and did not address the remaining two.

**Audit Follow-up**

The Borough President's Office reported that four recommendations have been implemented, one recommendation is no longer applicable, and the remaining recommendation concerning the collection and use of license fees for the use of Brooklyn Borough Hall is under review.

## QUEENS BOROUGH PRESIDENT'S OFFICE

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

Audit #FP07-094A

Comptroller's Audit Library #7864

Issued: June 30, 2008

Monetary Effect: None

### Introduction

This audit determined whether the Queens 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*. The audit also determined whether the Borough President's Office maintained controls over cash receipts and grant fund expenditures. The scope of the audit was July 1, 2005, through June 30, 2006. During Fiscal Year 2006, Other Than Personal Services (OTPS) expenditures for the Borough President's Office amounted to \$1,419,929.

### 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*. In addition, an examination of the Borough President's Office OTPS expenditures disclosed no instances in which monies 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:

- did not maintain bidding documentation on file for ten purchase documents totaling \$194,948;
- paid \$54 in sales tax on four of the 446 vouchers;
- charged the wrong object code for 23 of its 446 vouchers, totaling \$13,485;
- used 11 of its 32 miscellaneous vouchers, totaling \$44,262, to pay for transactions to postal service providers, which is not allowed under Comptroller's Directive #24;
- did not maintain a list of principals and directors for 36 of 77 organizations receiving grant funding, totaling \$209,694;
- did not deposit cash collected on 4,437 sales transactions on the same business day it was collected; and
- did not maintain complete and accurate inventory records.

The audit made seven recommendations to the Borough President's Office to address these issues. The Queens Borough President's Office should ensure that:

- Documentation of bidding is maintained on file.

- Sales tax is excluded from all payments made to vendors.
- All payments are charged to the correct object code.
- Miscellaneous vouchers are used only for purposes that are allowable.
- A complete listing of an organization's principals and directors is on file at the time a grant is made available.
- Cash collected is deposited on the same business day it is collected.
- Complete and accurate inventory records are maintained.

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

**Audit Follow-up**

The Queens Borough President's Office reported that it is in process of implementing the audit recommendations. The Office does not accept cash and now only accepts money orders. The money orders are deposited as often as possible.

**DEPARTMENT OF BUILDINGS**

Audit Report on the Follow-up of Violations Issued by the Department of Buildings

Audit #MG07-125A

Comptroller's Audit Library #7846

Issued: June 23, 2008

Monetary Effect: None

**Introduction**

The audit determined whether the Department of Buildings' (DOB) efforts to follow up on issued violations to ensure that conditions are corrected were adequate. DOB is responsible for the safe and lawful use of more than 950,000 buildings and properties throughout the five boroughs by enforcing the City's Building Code, Electrical Code, Zoning Resolution, and other laws applicable to the construction and alteration of buildings. In response to complaints and requests for inspections that come from the public, community boards, or other City agencies, DOB inspects buildings and issues violations when a building does not comply with applicable codes.

The most common type of violation issued is called an Environmental Control Board Notice of Violation (ECB violation). There are two types of ECB violations: non-hazardous and, for conditions that potentially threaten public safety, hazardous. DOB follows up on the violations it issues through its Special Operations Unit's Hazardous Re-inspection Program. In addition, DOB's Enforcement Division runs various reinspection programs; among them are the Certificate of Correction (CC) Audit Program and the Multi-Hazardous Re-Inspection Program. DOB, however, lacks the authority to gain access to properties or to take measures other than issuing new violations to cure outstanding violations.

**Results**

DOB's follow-up efforts are focused mainly on the Hazardous Re-Inspection Program (to ensure that hazardous violations are corrected) and the Certificate of Correction Audit Program (to ensure the integrity of the CC process). These efforts are less than adequate not only because of deficiencies in the execution of the programs but also because the agency is limited in its ability to compel property owners to remedy violations on their property. DOB does not have the authority to require access to buildings for reinspections or to take additional actions to ensure that the violations it issues are corrected. Therefore, outstanding violations may remain uncorrected for extended periods of time.

The audit noted that DOB failed to reinspect 20 percent of the properties targeted for reinspection in September 2007 as part of its Hazardous Re-inspection Program because they could not gain access to the property; of these, DOB's database indicated that it posted requests for reinspection notices with only 34 percent. Additionally, DOB did not assess compliance for 33 percent of the CCs that were randomly selected by the Special Enforcement Unit for the Certificate of Correction Audit Program for January through June 2007. Of the cases whose violations DOB determined were not in fact corrected, DOB took no further action against more than half.

DOB officials acknowledged that they had not assessed the feasibility of using the department's role as issuer of permits to enforce the correction of violations and the payment

of related penalties until auditors brought it to their attention. While officials agreed that denying permits to individuals or contractors with outstanding violations would be effective in enforcing the collection of fines and the correction of violating conditions, they emphasized that DOB does not have adequate legal power to deny permits based on outstanding violations or outstanding ECB fines.

To address these issues, the audit made 11 recommendations, including that DOB should:

- Immediately implement a program of reinspection of hazardous violations for those properties in which inspectors did not gain access and no LS4 forms, requesting property owners to call DOB and schedule an appointment for reinspection, were left at the premises.
- Ensure that CCs selected as part of its Certificate of Correction Audit Program are actually re-inspected.
- Take additional measures, such as scheduling appointments, to gain access to properties to verify that violations were corrected as reported in CCs.
- Continue to seek ways to improve and enhance its efforts to follow up hazardous violations and ensure that conditions are corrected.
- Work with the Law Department to clearly establish DOB's authority to deny permits when there are outstanding violations and fines.

DOB officials agreed to implement all of the audit recommendations.

#### **Audit Follow-up**

DOB reported that it has either implemented or is in the process of implementing all of the audit recommendations. It said it continues to work with the Law Department and other cities agencies to expand its authority for withholding permits under current law or by implementing necessary legislation.

**BUSINESS INTEGRITY COMMISSION**

Audit Report on the Monitoring of the Private Carting and Public Wholesale Market Industries By the Business Integrity Commission

Audit #FK07-089A

Comptroller's Audit Library #7860

Issued: June 30, 2008

Monetary Effect: None

**Introduction**

The Business Integrity Commission (BIC) consolidates under one agency regulatory jurisdiction over the private carting (trade waste), the public wholesale market (market), and the shipboard gambling industries. BIC is both a law enforcement and regulatory agency. Its mission is to eliminate organized crime and other forms of corruption and criminality from the industries it regulates.

BIC is empowered to investigate applicants, issue licenses and registrations, enforce applicable laws, and promulgate rules and regulations that govern the conduct of the businesses it oversees. Before a license or registration is granted, BIC conducts background and criminal checks of the applicant business, its principals, and managerial employees for the purpose of determining the good character, honesty, and integrity of the applicant business. BIC officials informed us that there were no businesses operating in the shipboard gambling industry during our audit period, July 1, 2005, through June 30, 2007.

**Results**

The audit disclosed significant weaknesses in BIC's monitoring of the trade waste and market industries. For example, BIC:

- Failed to institute standard operating procedures (SOPs) for the investigation and resolution of complaints, as required by the New York City Administrative Code §16-522, and did not review BIC Inspectors' decisions regarding the intake, investigation, and resolution of complaints. In the absence of SOPs and supervisory review, BIC cannot ensure that all complaints that warrant investigation are investigated and that BIC Inspectors conduct investigations appropriately and uniformly.
- Lacks an effective system for tracking the investigation of trade waste complaints because it does not adequately document complaints received; it therefore cannot verify that all complaints received are entered into its database and ultimately resolved.
- Did not regulate all markets or implement a timetable for their regulation, as authorized by the New York City Administrative Code §22-268.
- Does not ensure that its Market Agents are actively patrolling markets and does not ensure that there is adequate coverage of the markets.
- Did not consistently adhere to the New York City Administrative Code and its Policies and Procedures for Processing Trade Waste and Markets Renewal Applications when renewing licenses and registrations.

The audit made 20 recommendations, including that BIC should:

- Develop and implement standard operating procedures for the investigation and resolution of complaints, as required by New York City Administrative Code §16-522.
- Keep a record of all complaints received and retain original copies of all complaints received by mail, e-mail, and fax.
- Record essential complaint data in its database, including but not limited to—complaint source, action taken to date, status, number of days open, date resolved, and how complaint was resolved.
- Develop a timetable for the sequenced implementation of regulation of the Brooklyn Terminal Market and the Gansevoort Meat Market if it cannot commence regulation of these markets at this time.
- Require Market Agents to make regular entries in their memo books during each shift documenting their actions, as well as the activities and conditions in markets.
- Require Market Supervisors to review memo books, ensure Market Agents make regular entries, and initial memo books during each shift.
- Ensure that background, legal, and criminal checks are conducted on all businesses applying for renewals and all their principals and managerial employees.

BIC officials informed us that BIC is restructuring and making improvements that will address the weaknesses cited in our report.

#### **Audit Follow-up**

BIC reported that it has either implemented or is in the process of implementing 17 of the 20 audit recommendations. BIC disagrees with the remaining three recommendations pertaining to: vetting of all businesses and key individuals in the Brooklyn Wholesale Meat Market, the Brooklyn Terminal Market, and the Gansevoort Meat Market; developing a timetable for the regulation of the Brooklyn Terminal Market and the Gansevoort Meat Market; and ensuring that trade waste and market businesses do not operate without a valid license or registration. Although BIC disagreed with the audit recommendations regarding market regulation, BIC noted that it has begun the process of regulating the Gansevoort Meat Market.

**ADMINISTRATION FOR CHILDREN'S SERVICES**

Audit Report on the Compliance of Graham Windham with Foster and Child Care Payment Regulations, July 1, 2001–June 30, 2002

Audit #FN06-122A

Comptroller's Audit Library #7825

Issued: March 24, 2008

Monetary Effect: Actual Revenue: \$366,772

**Introduction**

This audit assessed the adequacy of Graham Windham's internal controls over expenses, revenues, and days-of-care; whether it was paid based on per diem rate payments in effect for Fiscal Year 2002; and its compliance with State and City payment and reimbursement standards. Graham Windham is a not-for-profit organization that provides foster-care services under a contract with Administration for Children's Services (ACS). For Fiscal Year 2002, the period covered by this audit, ACS reimbursed Graham Windham \$23,535,078 for providing foster-care services to 1,785 children. In addition, Graham Windham received \$475,629 from ACS for its Independent Living Skills Program, an educational program for individuals in its care who are at least 14 years of age, and \$234,002 for its Substance Abuse Program.

**Results**

Graham Windham generally complied with the New York State Standards of Payment and City Foster-Care Reimbursement Bulletin No. 92-5 regulations. Graham Windham had adequate internal controls over the recording and reporting of expenses, revenues, and days of care related to its foster- and child-care services. Moreover, Graham Windham was reimbursed by ACS for only those expenses appropriately incurred on behalf of its Independent Living Skills Program and Substance Abuse Program.

Although Graham Windham generally complied with the regulations, the audit found several exceptions. Graham Windham owes the City \$366,772 resulting from the difference between the funds it received (advances) from ACS and the actual expenses it incurred to operate the various programs audited and the actual days of care it provided. For Fiscal Year 2002, ACS advanced Graham Windham \$23,535,078. Based on a calculation of expense disallowances, Graham Windham was entitled to receive \$23,175,401, a difference of \$359,677. In addition, Graham Windham owes \$7,095 for overbilling ACS 116 days of care. Also, for Fiscal Year 2002, Graham Windham inappropriately claimed a total of \$404,220 in expenses that were not allowed under the New York State Standards of Payment and the City Foster-Care Reimbursement Bulletin No. 92-5.

The audit recommended that Graham Windham:

- Remit \$366,772 in excess funding to ACS.
- Include only allowable program expenses in its Report of Actual Expenditures DSS-2652.
- Ensure that ACS's program expenses are offset against other related sources of income that Graham Windham receives.

- Maintain separate accounts for ACS and non-ACS programs.
- Report its days of care accurately and in accordance with New York State and ACS regulation, and bill ACS for only those children in attendance at the foster care programs.

The audit recommended that ACS:

- Issue a written notice to Graham Windham requiring that it remit \$366,772 in excess funding to ACS.
- Ensure that Graham Windham complies with the report's other recommendations.

Graham Windham responded that it will remit \$366,772 to ACS, and that it will comply with the audit's recommendations. ACS responded that it had sent Graham Windham written notice of the terms of recovery for the amount of \$366,772, and that ACS will ensure through subsequent audits that Graham Windham will comply with the report recommendations.

#### **Audit Follow-up**

ACS reported that all of the audit recommendations have either been implemented or are in the process of being implemented. ACS asserted that Graham Windham paid the \$366,772 in excess funding.

### **ADMINISTRATION FOR CHILDREN'S SERVICES**

Audit Report on the Coalition for Hispanic Family Services Foster Care Contract with the Administration for Children's Services

Audit #ME08-060A

Comptroller's Audit Library #7849

Issued: June 26, 2008

Monetary Effect: None

#### **Introduction**

This audit determined whether the Coalition for Hispanic Family Services (CHFS) complied with the major programmatic provisions of its foster-care contract with the Administration for Children's Services (ACS) and whether CHFS days-of-care payment requests to ACS and special payments on behalf of foster children were adequately supported. CHFS is a community-based comprehensive family service agency that delivers services and programs to children and families in North Brooklyn and adjacent communities. The largest program at CHFS provides family foster care services to Hispanic families in North Brooklyn. In January 2006, ACS renewed its foster-care contract with CHFS for three years for a total of \$13.9 million. During Fiscal Year 2007, which was the scope period of this audit, ACS paid CHFS \$4.3 million to provide services to 270 foster children in 163 foster boarding homes.

## **Results**

CHFS complied with some of the major programmatic provisions of its foster-care contract with ACS. For the 30 cases reviewed, applications to serve as foster parents were completed, the foster parents received the required background checks, and pre-placement inspections of the foster parents' homes were conducted.

However, there were significant weaknesses in certain areas that must be addressed. These weaknesses raise questions as to whether the level of CHFS interaction with its foster children and foster parents is sufficient to ensure the health and safety of the children. Several foster-child case files lacked evidence that CHFS caseworkers conducted the required contacts and visits to foster children and foster parents. In addition, although all Family Assessment Service Plans (FASPs) and annual recertification reviews of the foster homes were completed, considering the insufficient evidence that caseworkers made all the required contacts and visits to the foster children and parents, questions arise as to whether all of the FASPs and annual recertifications were properly completed. Furthermore, many foster-parent case files lacked evidence that the foster parents received the required initial and annual refresher training. Finally, special-payment expenditures made by CHFS were not adequately supported or supervised.

The audit recommended, among other things, that CHFS:

- Immediately perform visits to those foster children who have not been visited.
- Ensure that caseworkers consistently prepare progress notes in the computer system CONNECTIONS to document all contacts and visits with foster children and foster parents.
- Provide supervisory oversight to ensure that all required contacts and visits are conducted and documented.
- Ensure that safety assessments are performed whenever a criminal-background check or State Central Register (SCR) review reveals concerns about an adult living in a foster-care home.
- Ensure that criminal background checks and SCR reviews are done on all adult household members in the foster home.
- Ensure that the foster parents who have not received the required training are immediately trained.
- Ensure that there is an appropriate segregation of duties throughout the special payments process to prevent the misuse of special payment funds.

The audit also recommended, among other things, that ACS:

- Continue to closely monitor CHFS to ensure that the required number of visits to foster children are conducted.
- Conduct periodic reviews of foster-parent training information in CONNECTIONS for all types of foster parents and notify CHFS when it identifies foster parents who have not received the required training.

In its response, ACS agreed with 12 recommendations and stated that it believed that one was not applicable.

### **Audit Follow-up**

ACS reported that 12 recommendations have either been implemented or are in the process of being implemented. ACS stated that the remaining recommendation was not applicable because it believes that no recoupment was necessary.

## **ADMINISTRATION FOR CHILDREN'S SERVICES**

Audit Report on the Compliance of the Child Development Support Corporation with its Administration for Children's Services Preventive Service Agreements

Audit #MH06-129A

Comptroller's Audit Library #7827

Issued: March 24, 2008

Monetary Effect: None

### **Introduction**

This audit determined whether the Child Development Support Corporation (CDSC) complied with the provisions of its preventive service agreements with the Administration for Children's Services (ACS) and its own procedures; and has adequate internal controls over the recording and expending of funds received from the preventive service agreements. The audit scope period was July 2005 through June 2007.

Since 1987, CDSC—a not-for-profit, community-based, multi-service organization—has provided preventive services to children under 18 years of age and their families in the Clinton Hill, Fort Greene, Bedford Stuyvesant, and Brownsville communities of Brooklyn. These services are initiated by either ACS referrals or by walk-ins (self-referrals) to avert the placement of a child in foster care or to enable a child in foster care to return to the family as soon as possible.

### **Results**

CDSC did not adequately comply with significant provisions of its preventive service agreements with ACS and its own procedures. As a result, there is no reasonable assurance that CDSC properly helped families to obtain the preventive services needed to become stabilized so that the children are not placed in foster care. CDSC could not provide evidence that the credentials of some of the employees who worked for CDSC were proper. Further, for some of the employees, CDSC could not provide evidence that they were screened by having criminal-history record reviews conducted through the New York State Division of Criminal Justice Services and by making inquiries to and obtaining clearances from the Statewide Central Register (SCR) of Child Abuse and Maltreatment.

CDSC did not adequately monitor the preventive service cases reviewed in the sample. For example, the required number of minimum casework contacts with the families was not always made. For many of the cases in which parents were engaged in substance abuse, there was no indication in the case records that the Case Planners ensured that the parents were periodically tested for substance abuse. The audit also found that Casework Supervisors did not always document their review of case records at least once every two weeks in Biweekly Case Record Review forms, as required. CDSC did not always ensure the reliability of case data recorded in the two computer systems—CONNECTIONS and the Preventive Organization Management Information System (PROMIS).

The audit did find, however, that CDSC had adequate internal controls over the recording and expending of funds received under the preventive-service agreements. Nevertheless, although CDSC properly documented its expenses, the City and more importantly, the families, did not receive the full contractual benefit from these preventive-service agreements because of problems noted during the audit.

The audit made 12 recommendations, including that:

- CDSC should comply with the personnel provisions of its preventive-service agreements with ACS. Specifically, it should ensure that: all current and prospective employees have the proper credentials for their positions; criminal-history record reviews are conducted through the State Division of Criminal Justice Services; and inquiries are made to and clearances are obtained from SCR.
- CDSC should improve its oversight of cases and comply with the case-practice provisions of its agreements to ensure that: the minimum number of casework contacts is made; that Biweekly Case Record Reviews are conducted and documented at least once every two weeks, as required, for the duration of cases; and that administrative-level reviews are conducted and documented for cases that remain open 24 months or longer.
- ACS should modify the *ACS Preventive Services Quality Assurance Standards & Indicators and FRP Addendum* to define a benchmark for minimum frequency of testing of parents engaged in substance abuse.
- CDSC and ACS should investigate the discrepancies we cite and, if warranted, make the necessary changes in CONNECTIONS and PROMIS.

In their response, ACS officials agreed with 10 and partially agreed with 2 of the audit's 12 recommendations.

#### **Audit Follow-up**

ACS reported that 11 recommendations have either been implemented or are in the process of being implemented and the remaining recommendation has been partially implemented.

**OFFICE OF THE CITY CLERK**

Audit Report on the Cash Controls at the New York City Clerk's Manhattan Office

Audit #MD08-073A

Comptroller's Audit Library #7845

Issued: June 23, 2008

Monetary Effect: None

**Introduction**

This audit determined whether the City Clerk's Manhattan Office (Manhattan Office) is in compliance with Comptroller's Directive #11, "Cash Accountability and Control." The scope of the audit was Fiscal Year 2007.

The City Clerk is appointed by the City Council and serves as both the Clerk of the City of New York and the Clerk of the City Council. The City Clerk maintains two separate bureaus under its jurisdiction: The Marriage Bureau and the Lobbying Bureau. The Marriage Bureau provides marriage licenses, domestic-partnership registration, civil marriage ceremonies, registration of marriage certificates, copies and amendments of marriage records, and certificates of non-impediment. The Lobbying Bureau is responsible for the enforcement of laws on lobbying activities. The City Clerk charges the public various fees for these services.

In Fiscal Year 2007, the five borough offices of the City Clerk had total revenues of \$4.9 million and expenses of \$3.6 million, thereby generating a net total of \$1.3 million in revenue for the City. The City Clerk's largest office is in Manhattan, which collected \$2.7 million in revenues during Fiscal Year 2007, approximately 55 percent of the total revenue collected by all five borough offices.

**Results**

The Manhattan Office generally adheres to the guidelines for internal controls over cash receipts established by Comptroller's Directive #11. The Manhattan Office accepts as payment only money orders and certified checks from the public and company checks from lobbyists. It also issues computer-generated, sequentially-numbered receipts, makes daily deposits, requires two signatures for the issuance of refund checks, and performs monthly bank reconciliations. In addition, the deposits are reconciled to the amounts recorded in the City Financial Management System.

The audit also identified some internal control weaknesses; however, they were not material enough to detract from the audit's overall conclusion. The weaknesses included the following: inadequate controls over blank certificates and marriage licenses, lack of reconciliation of fees collected with fees deposited, ability of employees to override their own transactions, and inadequate controls over the issuance of refund checks.

The audit made nine recommendations, five of which are listed below. The City Clerk's Office should:

- Ensure that a proper inventory system is maintained to track blank certificates and marriage licenses.

- Develop a daily reconciliation to track the pre-printed numbers of the certificates and marriage licenses to ensure that all issued and voided documents can be accounted for since the Marriage License Bureau (MLB) system does not have the capability to record this information.
- Issue a written procedure requiring that the daily computer run be reconciled with the daily cash receipts before the cash is deposited in the bank. In addition, all discrepancies found during the reconciliation should have a written explanation and be approved by a supervisor.
- Limit the transaction override function to one or two supervisors within each unit and not allow individuals to override their own transactions. In addition, it should modify the MLB system so that overrides are not needed for regularly performed transactions.
- Develop a log to record and track refunds to ensure that only authorized refund checks are processed and that all required refund checks are issued to the public. This log should include all necessary information to allow the transaction to be traced to the MLB system for verification.

City Clerk's Office officials generally agreed with the audit's findings and recommendations.

#### **Audit Follow-up**

The City Clerk's Office reported that eight recommendations have either been implemented or are in the process of being implemented and the remaining recommendation has been partially implemented. The City Clerk's Office has replaced the MLB system with the Venus system, which has the capability to record the inventory numbers of certificates and marriage licenses.

**NEW YORK CITY COUNCIL**

Audit Report on the Other Than Personal Service Expenditures of the New York City Council, July 1, 2004–June 30, 2005

Audit #FL06-109A

Comptroller's Audit Library #7813

Issued: September 21, 2007

Monetary Effect: None

**Introduction**

This audit determined whether the New York City Council complied with certain procedures and regulations for Other Than Personal Services (OTPS) expenditures as set forth in the Comptroller's Internal Control and Accountability Directives (Comptroller's Directives) #3, #6, and #24; Procurement Policy Board (PPB) rules; and the Procurement Rules of the City Council. The OTPS expenditures of the New York City Council during Fiscal Year 2005, the period covered by the audit, amounted to \$14.3 million.

**Results**

The audit disclosed that the New York City Council (Council) did not comply with the City Charter, PPB rules, Comptroller's Directives #3, #6 and #24, or its own purchasing procedures when making OTPS purchases. For example, the Council violated City Charter requirements, PPB rules, and Council Rules when purchasing printing services. It paid approximately \$1.67 million for printing without entering into formal contracts, \$1.46 million of which was paid to five vendors.

In general, the City Charter and the PPB rules require that contracts be awarded through competition. Instead—with the exception of three purchases totaling \$35,470—the Council split printing orders or made several small purchases by individual Council members to prevent the total from reaching the \$5,000 threshold for small purchases that would have required the solicitation of bids from five vendors or a full public procurement.

In addition, the Council: permitted affiliated companies to submit competing bids against each other for the same proposal; violated Comptroller's Directive #24 by using miscellaneous vouchers for all Member purchases and "shared" expenditures, totaling \$3.49 million; violated Council and PPB rules when making OTPS expenditures from its Central Office by not obtaining bids on purchases that exceeded \$500 (Council rules) and \$5,000 (PPB rules); did not use requirement contracts in 22 instances when procuring various items totaling \$14,232; made improper and questionable payments, totaling \$65,768; and made improper and questionable imprest fund payments, totaling \$2,837.

The audit recommended that the Council should:

- Immediately discontinue its practice of splitting purchases to circumvent the PPB rules, Council Rules, and the competitive bidding process.
- Procure services, especially printing services, in accordance with the provisions of the City Charter, PPB rules, and Council Rules by using the competitive bidding process, by entering into formal contracts with the vendors, and by registering the contracts with the Comptroller's Office.

- Determine whether all bidders are independent from each other to ensure that all purchases are made through open competition. In that regard, the Council could review the backgrounds of vendors who routinely do business with the City by reviewing VENDEX and the New York State Department of State Business Entity Database.
- Discontinue its use of miscellaneous vouchers to pay vendors for Member services.
- Enforce its own procurement rules by soliciting bids for purchases exceeding \$500, or review its policies and procedures to determine whether they meet the current needs of the Council.
- Ensure that it complies with PPB rules by soliciting bids for purchases exceeding \$5,000.
- Consider requiring that all purchases of goods and services be purchased from requirements contracts, if available.
- Ensure that all OTPS purchases are made in accordance with Comptroller's Directives and Council Rules, and that they have adequate supporting documentation.
- Ensure that all imprest fund purchases are made in accordance with Comptroller's Directive #3 and have adequate supporting documentation.

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

#### **Audit Follow-up**

The City Council reported the actions they have taken to address the report's recommendations.

**CITY UNIVERSITY OF NEW YORK**

Follow-up Audit Report on the Operating Practices of the City University of New York College Discovery Program

Audit #ME08-059F

Comptroller's Audit Library #7867

Issued: June 30, 2008

Monetary Effect: None

**Introduction**

This audit determined whether the City University of New York (CUNY) implemented the 11 recommendations made in the *Audit Report on the Operating Practices of the City University of New York College Discovery Program* (Audit No. MD02-067A, issued February 2, 2003). The period covered by this audit was July 1, 2006, through June 30, 2007 (Fiscal Year 2007).

CUNY's College Discovery Program (CDP) was created in 1964 as a special program for educationally and economically disadvantaged students who otherwise might not be able to attend college. CDP provides academic and financial support to students through specialized counseling, tutorial services, remedial instruction, and payments for book expenses at the six community colleges. In Fiscal Year 2007, CDP enrollment at the six community colleges totaled 2,433 students. CDP expenses at these schools totaled \$3,023,981.

The previous audit report concluded that there was no comprehensive process to measure and report on the effectiveness of the six community college CDPs. In addition, the audit found that students did not fully use CDP counseling and tutoring services at two sampled schools and that counselors at the colleges did not monitor student progress adequately.

**Results**

Of the 11 recommendations made in the previous audit, CUNY implemented 1, partially implemented another, and did not implement 9.

CUNY's Office of Institutional Research and Assessment (OIRA) now prepares many informative tables relating to the performance of the community college CDPs. These tables provide a comprehensive picture of students' academic progress, including their retention rates, Grade Point Averages, credit accumulation, and graduation rates. The tables allow for comparisons of CDP student performance at each of the six community colleges and between CDP students and non-CDP students.

However, CDPs continue to have limited success in ensuring that their students take advantage of counseling and tutoring services provided by the program. Twenty-six (41%) of the 63 sampled students who registered for the Fall 2006 semester did not receive the required number of counseling sessions during the semester, and 43 (68%) of the 63 sampled students who registered during the Spring 2007 semester did not receive the required number of counseling sessions during the semester. Concerning tutoring, 50 (79%) of the 63 sampled students who registered for the Fall 2006 semester did not receive tutoring services during the semester and 57 (90%) of the 63 sampled students who registered for the Spring 2007 semester did not receive tutoring services during the semester. In addition, CDPs often fell short when it came to providing counseling and tutoring services to students who were at risk

of failing. Furthermore, CDP counselors and tutors generally did not document their efforts to contact students who did not receive the required amount of counseling or receive any tutoring.

This follow-up audit concluded that CDPs could benefit from the establishment of minimum CUNY counseling and tutoring standards that would provide guidance to the CDPs and better enable CUNY to monitor their performance. The audit also concluded that CUNY needed to improve its procedure for tracking the mid-semester progress of CDP students.

To address the issues that still exist, the audit recommended that CUNY:

- Ensure that CDP counselors and tutors follow up with CDP students, including “at risk” students, who do not receive counseling or tutoring services.
- Ensure that the counselors and tutors document their follow-up efforts.
- Set minimum standards for the provision of counseling and tutoring services to CDP students, including students at risk of failing.
- Develop a procedure for tracking the mid-semester progress of CDP students.

CUNY and CDP officials disagreed with several of the audit’s findings, but agreed or partially agreed with three of the recommendations and disagreed with one.

#### **Audit Follow-up**

CUNY reported that three recommendations are in the process of being implemented and that the remaining recommendation, to develop a procedure for tracking the mid-semester progress of CDP students, is being explored.

In addition to CUNY’s response, the Borough of Manhattan, Kingsborough, and LaGuardia community colleges reported on the steps they have taken to implement the audit recommendations.

**DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES**

Audit Report of the Administration of the Sales of Surplus City-Owned Real Estate by the Department of Citywide Administrative Services

Audit #FN07-100A

Comptroller's Audit Library #7869

Issued: June 30, 2008

Monetary Effect: Potential Revenue: \$6.5 Million

**Introduction**

The Division of Real Estate Services—a unit of the Department of Citywide Administrative Services (DCAS)—manages surplus real estate properties acquired by the City before 1993 through in-rem tax foreclosure and condemnation proceedings. DCAS sells surplus properties, primarily vacant lots, at annual public auctions, thereby returning the properties to productive use and to the tax rolls.

The audit evaluated the adequacy of DCAS' practices for selling surplus City-owned real estate properties and whether the revenue generated from the sale of surplus City-owned real estate properties was properly collected and accurately reported. For the public auction conducted in Fiscal Year 2006, the period covered by the audit, DCAS listed 53 properties and sold 34 properties for a total of \$15 million.

**Results:**

DCAS properly collected and accurately reported revenue from the sale of surplus City-owned properties, and appropriately processed and approved all mortgage applications. However, our review found certain inadequacies in the practices of selling surplus real estate properties that impacted DCAS's ability to sell 36 percent of the properties offered for sale at the June 13, 2006, auction; of meeting the primary mission of the public auction program (i.e., returning these properties to the City's tax rolls); and of generating more than \$6.5 million in potential sales revenue.

Moreover, DCAS did not ensure that the new property-owner's information was properly recorded with the Department of Finance. As a result, the City may not be able to bill those new owners for real estate taxes.

The report made six recommendations for DCAS to establish appropriate policies and procedures to ensure that surplus City-owned real estate properties are effectively sold to the public. Guidelines should include, but not be limited to, methods for:

- Identifying and disclosing the legal and physical conditions of the properties being auctioned by inspecting the properties to determine illegal use and potential encroachments; and installing fences and signs that would safeguard the properties and identify them as City-owned.
- Setting up and enforcing proper guidelines with specific time frames for requiring a City agency land-use request to be submitted before the auction.
- Including and explaining fully the key terminology and certain material terms to allow a buyer to make an informed decision and avoid sales cancellation.

- Studying the characteristics of passed parcels to determine whether those parcels meet any market demand or whether they should be entirely excluded from the auction.
- Ensuring that properties are offered to runner-up bidders.
- Ensuring that the new buyer's information is recorded in the Department of Finance computerized system.

DCAS disagreed with most of the reports conclusions, including "almost all of the findings and recommendations relating to the auction process."

### **Audit Follow-up**

DCAS reported that it continues to disagree with and will not implement five recommendations. DCAS reported that it agrees with the remaining recommendation to study the characteristics of passed parcels to determine whether they should be excluded from the auction, however, DCAS maintains that this recommendation is consistent with its existing practices.

## **DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES**

Audit Report on the Department of Citywide Administrative Services Collection of Rent Arrears

Audit #MJ08-053A

Comptroller's Audit Library #7839

Issued: June 6, 2008

Monetary Effect: None

### **Introduction**

This audit assessed the adequacy of the Department of Citywide Administrative Services (DCAS) efforts to collect rent arrears from tenants and former tenants of City-owned property.

The DCAS Division of Real Estate Services (DRES) manages the City's real estate portfolio of commercial, industrial, and waterfront properties, residentially-zoned vacant lots acquired through tax foreclosure or condemnation, and properties formerly managed by other City agencies. These properties are returned to the City's tax rolls through sale at public auction or increase City revenues through short-term or long term lease agreements.

### **Results**

For Fiscal Year 2007, DCAS reported total rental income of \$53 million. As of July 1, 2007, DRES records reflected \$31.1 million in rent arrears consisting of \$18.1 million in arrears for 105 of 587 total active tenant accounts and \$13 million for 209 terminated accounts.

DCAS maintains adequate efforts to collect rent arrears. DRES collection procedures comply with Directive #21 and are consistently applied. In addition, DRES actively pursues all

available activities and efforts to encourage tenants and former tenants to pay their arrears. This includes entering into payment agreements and conveying accounts to the Law Department for further collection proceedings once DRES has exhausted all of its internal collection efforts. However, of the \$31.1 million in arrears as of July 1, 2007, \$28.7 million represented a small number of special cases for which routine DRES collection procedures were not, and would not be, sufficient to encourage the tenants to pay. These arrears arose from long-standing disputes and contingencies, and remotely collectible accounts. Consequently, the adjusted arrears balance of \$2.4 million (exclusive of the \$28.7 million for these special cases) viewed in relation to the \$53 million in rental revenue collected by DRES in Fiscal Year 2007 strongly suggests that in general terms, DRES collection procedures are effective.

Some weaknesses were noted regarding terminated accounts with unpaid arrears transferred to the Law Department for further collection proceedings. Specifically, DRES does not have a benchmark time period to guide the transfer of terminated accounts for collection proceedings that would increase the likelihood of recouping payment from debtors. Moreover, DRES does not adequately follow up on cases transferred to the Law Department, and does not have formalized write-off policies.

To address these issues, the audit made seven recommendations. Among them, that DRES should:

- Ensure that cases for which all internal collection efforts have been exhausted are transferred to the Law Department in a timely manner.
- Establish a benchmark (time period) for transmitting cases to the Law Department for collection and ensure compliance with this time frame so as to increase the likelihood of collection.
- Require that DRES establish ongoing communication with the Law Department to report on the status of accounts transferred for collection, especially those accounts that are not conveyed to the external collection agency.
- Develop formal write-off policies consistent with its operations.
- Review the current cases transmitted to the Law Department to determine whether any should be considered for writing off.

#### **Audit Follow-up**

DCAS reported that six recommendations have been implemented and the remaining recommendation is in the process of being implemented.

**CIVIL SERVICE COMMISSION**

Audit Report on the Financial and Operating Practices of the City Civil Service Commission

Audit #MG08-099A

Comptroller's Audit Library #7842

Issued: June 10, 2008

Monetary Effect: None

**Introduction**

The audit determined whether the City Civil Service Commission (Commission) complied with applicable payroll, personnel, and purchasing procedures established by the agency, and those set forth in the Comptroller's Internal Control and Accountability Directives, New York City leave regulations, and Procurement Policy Board (PPB) rules.

The Commission is a quasi-judicial body that hears appeals both from disciplinary actions and from civil service employment decisions as the guardian of the City's merit system. The Commission has five Commissioners, each appointed by the Mayor for a six year-term, and five employees. For Fiscal Year 2007, the *Comprehensive Annual Financial Report of the Comptroller* reported that Commission expenditures totaled \$530,147, including \$463,471 for Personal Services and \$66,676 for Other Than Personal Services.

**Results**

The audit determined that the Commission generally complied with all City rules and regulations. However, the audit disclosed minor weaknesses in the Commission's purchasing practices, including that it: did not prepare purchase documents prior to the purchase of goods and services; did not document that purchased goods were received; and did not pay for purchases promptly.

To address these issues, the audit made four recommendations. The Commission should:

- Create a purchase document before the purchase of goods or services.
- Create one purchase document at the beginning of the fiscal year to encumber funds for services that will be periodically billed by one vendor.
- Ensure that receiving documentation for goods are certified and placed in its procurement files prior to making payments to vendors.
- Make payments to vendors within 30 days from the receipt of an invoice.

In their response, the Commission agreed with all four recommendations stating that "the changes have already been implemented."

**Audit Follow-up**

The Civil Service Commission reported that all of the audit recommendations have been implemented.

**OFFICE OF COLLECTIVE BARGAINING**

Audit Report on the Procurement Practices of the Office of Collective Bargaining

Audit #ME08-061A

Comptroller's Audit Library #7854

Issued: June 25, 2008

Monetary Effect: None

**Introduction**

This audit determined whether the Office of Collective Bargaining's (OCB) procurement practices complied with applicable Procurement Policy Board (PPB) rules, Comptroller's Directives, and its own procedures. OCB was created in 1967 to administer and enforce the provisions of the New York City Collective Bargaining Law. It was established to resolve disputes between City labor and management. The scope of this audit was Fiscal Year 2007. In Fiscal Year 2007, OCB expended \$1.8 million, of which \$527,933 was for Other Than Personal Services.

**Results**

OCB procurement practices generally complied with applicable procurement guidelines, including PPB rules, Comptroller's Directives, and its own procedures. Specifically, for sampled payments, the audit determined that items purchased were necessary for OCB's office operation; purchase documents were appropriately prepared and approved; vouchers had sufficient documentation to support payment; and expenditures were charged to the correct budget and object codes. In addition, imprest fund expenditures did not exceed \$250 and included a specific payee; miscellaneous vouchers were used appropriately; and computations on vouchers were accurate. Furthermore, there was an adequate segregation of responsibilities in the procurement process; there were no instances of split purchasing to avoid purchasing rules; and OCB had adequate controls over its inventory of computer and electronic equipment.

However, there were some minor findings in the sample of general-purchase payment vouchers and in the computer and electronic equipment inventory. Three invoices were not stamped "Vouchered" or "Paid"; one purchase document did not have an approval stamp; one payment should have been charged to another fiscal year; and one computer monitor was not on the inventory lists.

Since the audit found no material weakness in OCB's procurement practices, there were no recommendations.

OCB officials acknowledged and accepted the audit's findings.

**BROOKLYN COMMUNITY BOARDS**

Audit Report on the Financial and Operating Practices of the 18 Brooklyn Community Boards

Audit #FP07-117A

Comptroller's Audit Library #7851

Issued: June 26, 2008

Monetary Effect: None

**Introduction**

This audit determined whether the 18 Brooklyn 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, #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 18 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*.

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.

Examination of the Boards' Other Than Personal Services 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 these did not affect the audit's overall opinion.

The audit made 24 recommendations, including that the Boards should ensure that:

- Miscellaneous vouchers are used only for purposes that are allowable by Comptroller's Directive #24.
- Imprest fund payments are used only for purposes that are allowable by Comptroller's Directive #3.
- All payments are charged to the correct object code
- Sales tax is not paid to vendors.
- Complete and accurate inventory records are maintained.
- Chairpersons' and former Chairperson's cell phone charges are not paid for by the Boards.
- Less expensive cell-phone plans are used, and the practice of making personal calls ceases.

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

**Audit Follow-up**

Seventeen Community Boards reported that most of the audit recommendations have been implemented. Brooklyn Community Board #6 did not provide follow-up information.

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

**NEW YORK CITY COMPTROLLER'S OFFICE**

Cost Allocation Plan Fiscal Year 2007

Report: #FM08-093S

Comptroller's Audit Library # N/A

Issued: December 17, 2007

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 these costs may eventually be passed on to programs eligible for federal funding, and thus be reimbursed to the City.

The New York City 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 2007.

**Results**

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

## **BOARD OF CORRECTION**

Audit Report on the Purchasing, Timekeeping, and Payroll Practices of the Board of Correction

Audit #MH07-129A

Comptroller's Audit Library #7829

Issued: May 2, 2008

Monetary Effect: None

### **Introduction**

This audit determined whether the Board of Correction (BOC) complied with applicable purchasing, timekeeping, and payroll policies and procedures established by the agency and those set forth in the New York Comptroller's *Internal Control and Accountability Directives*, New York City leave regulations for non-managerial employees, and Procurement Policy Board (PPB) rules. BOC promulgates minimum standards for the custody, correction, health and mental health care, treatment, supervision, and discipline of all inmates held in City correctional facilities, and conducts inspections of those facilities to ensure compliance. BOC also reviews grievances by inmates and employees of the Department of Correction. BOC's actual expenditures for Fiscal Year 2007, the period covered by the audit, totaled \$905,222.

### **Results**

BOC generally complied with applicable purchasing, timekeeping, and payroll policies, with the exception of weaknesses in its compliance with accounting requirements for purchases. Based on the review of OTPS payment vouchers, purchase orders, and invoices, and of imprest fund transactions, the audit found that most purchases were properly accounted for, legitimate, and necessary for BOC operations. Most payment vouchers had appropriate documentation. Most purchases made using the imprest fund included supporting documentation such as receipts and invoices; the imprest fund checking account was properly reconciled on a monthly basis; and checks were made out to specific parties as opposed to "bearer" or "cash." In addition, this account was reconciled by an individual independent of the person processing entries to the imprest fund checking account.

However, in certain instances, BOC does not have adequate oversight over the vouchering process, specifically as it relates to accounting requirements, and sick-leave documentation. It did not adequately implement Comptroller's Directive #24, which establishes requirements on the use of Financial Management System (FMS) documents for City agency purchases, including those paid for by the use of miscellaneous payment vouchers. Specifically, BOC;

- issued Purchase Orders for all 52 general purchase payment vouchers (PVEs) instead of using the new PC purchase documents (for purchases that are \$10,000 or less using other than capital funding) and PD purchase documents (for micro-purchases of \$5,000 or less) and FMS Contract Documents (CT) when required;
- did not have on file accompanying invoices for nine payments, totaling \$668; and
- used miscellaneous vouchers improperly.

In addition, a review of BOC's timekeeping records for the period January 1 through June 30, 2007, found that there were three employees who did not have the required medical documentation on file for charges to their sick leave.

The audit made nine recommendations, including that BOC should:

- Ensure that it complies with Comptroller's Directive #24 and uses the appropriate Purchasing Documents for its purchases.
- Ensure that all vendor documents, such as invoices, receiving reports, and bids are maintained, as required.
- Ensure that miscellaneous payment vouchers are used in accordance with Comptroller's Directive #24.
- Ensure that sufficient medical documentation is received prior to charging documented sick-leave balances for an employee's illness or for an employee's care of an ill family member.

In its response, BOC generally agreed with five of the audit's recommendations, believed it had already implemented two recommendations prior to our audit, and did not address two recommendations.

#### **Audit Follow-up**

BOC reported that it has complied with all of the audit recommendations.

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

Audit Report on the Procurement Practices of the New York County District Attorney's Office

Audit #MJ08-074A

Comptroller's Audit Library #7861

Issued: June 30, 2008

Monetary Effect: None

**Introduction**

This audit determined whether the New York County District Attorney's Office (District Attorney's Office) maintained adequate financial controls over procurement practices as required by Procurement Policy Board (PPB) rules and Comptroller's Directives.

The District Attorney's Office investigates and prosecutes more than 100,000 criminal cases annually in Manhattan. The District Attorney's Fiscal Department is responsible for preparing and monitoring the Office's budget; purchasing expenditures; authorizing and preparing disbursements for requested services, equipment, and material; and reimbursing staff for approved out-of-pocket expenditures. During Fiscal Year 2007, the District Attorney's Office's Other Than Personal Services (OTPS) totaled \$8.5 million. OTPS expenditures covered the procurement of supplies, materials, and services necessary to support agency operations.

**Results**

The audit determined that the District Attorney's Office maintains adequate financial controls over its procurement practices and generally complies with many aspects of Comptroller's Directives and PPB rules. However, the District Attorney's Office uses an inordinate number of miscellaneous payment (PVM) vouchers. During Fiscal Year 2007, the District Attorney's Office expended more than \$4 million (48%) of its \$8.5 million OTPS budget on PVM vouchers, including \$1.9 million to various vendors and another \$2.1 million to fund or reimburse the District Attorney's Office demand account for monies disbursed from the account. The audit identified \$1.3 million of the \$1.9 million paid to vendors using PVM vouchers for goods and services that would have been more appropriately processed through FMS procedures requiring purchase documents or contract documents.

While the District Attorney's Office maintains adequate safeguards over cash on hand, and its control and reporting procedures generally comply with Directive #3, the audit disclosed certain weaknesses, including the lack of: (1) surprise cash counts; (2) a cash-on-hand total (limit); and (3) segregation of duties.

To address disclosed weaknesses the audit made ten recommendations. Some of the major recommendations include that the District Attorney's Office should:

- Limit the use of miscellaneous vouchers, in accordance with Comptroller's Directive #24, to those purchases in which the estimated or actual expenditures cannot be determined.
- Obtain bids for purchases over \$5,000 and, in accordance with PPB rules, enter into contracts with those vendors for which estimated purchases for similar goods and services throughout the Fiscal Year will exceed \$10,000.

- Budget for various routine, recurring, ordinary expenses; prepare purchase documents and draw down from these encumbrances as goods or services are paid.
- Conduct periodic surprise counts of petty cash funds and review the supporting records and reconciliations.
- Ensure that conflicting duties of petty cash fund responsibilities and monthly reconciliations of the District Attorney's Office demand account bank currently assigned to one Fiscal employee be appropriately segregated and assigned to different employees.

**Audit Follow-up**

The District Attorney's Office reported that it has worked diligently to implement the audit recommendations and detailed the steps taken to limit the use of miscellaneous vouchers, obtain bids for purchases over \$5,000 and enter into contracts for purchases over \$10, 000, and improve use of the petty cash fund.

**QUEENS DISTRICT ATTORNEY'S OFFICE**

Audit Report on the Financial and Operating Practices of the Queens District Attorney's Office

Audit #FP07-124A

Comptroller's Audit Library #7835

Issued: May 22, 2008

Monetary Effect: None

**Introduction**

This audit determined whether the Queens District Attorney's Office (District Attorney's Office) complied with certain purchasing and inventory procedures as set forth in the New York 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*. The scope of the audit was July 1, 2005, through June 30, 2006.

**Results**

The District Attorney's Office generally adhered to Comptroller's Directives #6 and #24; applicable PPB rules; and the DOI *Standards for Inventory Control and Management*. In addition, an examination of the District Attorney's Office Other Than Personal Services (OTPS) expenditures disclosed no instances in which monies were improperly used. However, there were minor instances in which the District Attorney's Office did not comply with certain purchasing procedures. The testing of a random sample of 28 purchase documents with 58 corresponding vouchers found that the District Attorney's Office charged the wrong object code for 17 vouchers totaling \$21,161. A review of 30 miscellaneous vouchers revealed that one miscellaneous voucher included \$90 to pay the fine for a moving violation issued to an employee for talking on the phone while driving, a payment not allowable according to Comptroller's Directive #6. Finally, the District Attorney's Office improperly used five miscellaneous vouchers totaling \$39,802 for purposes that are not allowable according to Comptroller's Directive #24, such as postage, monthly recurring expenses, and supplies.

The audit made three recommendations to the District Attorney's Office, that it should:

- Ensure that all payments are charged to the correct object code.
- Seek reimbursement of \$90 from its employee for the moving violation.
- Ensure that miscellaneous vouchers are used only for purposes that are allowable by Comptroller's Directives #24.

The District Attorney's Office agreed with the report's three recommendations.

**Audit Follow-up**

The District Attorney's Office reported that it has implemented two recommendations. It did not seek reimbursement of \$90 from the employee who incurred the moving violation, but stated that it will make every effort to fully comply in the future.

**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 8 and Alternative High Schools and Programs

Audit #FS07-113F

Comptroller's Audit Library #7815

Issued: October 15, 2007

Monetary Effect: None

**Introduction**

This follow-up audit determined whether the Department of Education (DOE) has implemented the five recommendations made in a previous audit entitled *Audit Report on Other Than Personal Service (OTPS) Expenditures of Schools within Regional Operations Center for Region 8 and Alternative High Schools and Programs* (Audit No.FP05-078A, issued May 4, 2005).

The earlier audit determined that the officials of the Regional Operations Center (ROC) and schools in Regions 8 and Alternative High Schools and Programs generally followed DOE Procurement policies and procedures for purchases that required ROC approval, with the exception of the following: vendor invoices were not always on file; files lacked documentation showing that the items purchased were reasonable and necessary for the operation of the school and that the services were actually provided; and purchase files lacked evidence of competitive bidding.

Until July 2, 2007, ROCs provided operational and financial support to the schools they served. Subsequent to that date, Integrated Service Centers (ISCs) were established to continue providing training to schools in standard operating procedures. ISCs may review reports of school expenditures to identify instances warranting follow-up contact with schools to reinforce procedures, thereby preventing violations of procedures.

**Results**

The follow-up audit disclosed that DOE implemented four of the five recommendations and partially implemented one recommendation made in the previous audit. The partially implemented recommendation concerned ensuring that all services are rendered before the payment of invoices. This follow-up audit identified a new issue concerning one school that split a purchase to circumvent the monetary threshold that requires obtaining appropriate prior approval of the purchase by the ROC. Further, it appears that neither ROC 8 nor ROC 9 is fully accountable for purchases made by Bard High School.

The audit made one recommendation to address the existing issue from the previous audit, that DOE officials:

- Ensure that all goods and services that have been received be certified on-line prior to making payment.

The audit made two recommendations to address the new issue identified in this audit, that DOE officials, in conjunction with the district representatives:

- Ensure that schools do not avoid the approval process by splitting the value of purchases.
- Ensure that the correct ROC is accountable for Bard High School purchase orders.

### **Audit Follow-up**

DOE reported that the recommendation to ensure that all goods and services received are certified before making payments has been implemented; however, DOE disagrees with and will not implemented the remaining two recommendations.

## **DEPARTMENT OF EDUCATION**

Follow-up Audit Report on the Other Than Personal Service Expenditures of Schools within the Department of Education Regional Operations Center for Regions 4 and 5

Audit #FS07-118F

Comptroller's Audit Library #7814

Issued: October 16, 2007

Monetary Effect: None

### **Introduction**

This follow-up audit determined whether the Department of Education (DOE) implemented the eight recommendations made in a previous audit entitled *Audit Report on Other Than Personal Service Expenditures of School within the Department of Education Regional Operations Center for Regions 4 and 5* (Audit No. MD05-067A, issued May 4, 2005).

The earlier audit found that the officials of the Regional Operations Center (ROC) and schools in Regions 4 and 5 generally followed DOE procurement policies and procedures for purchases that require ROC approval. However, there were instances of noncompliance relating to lack of certifications for goods and services, lack of justification and Office of Purchasing Management (OPM) approval for sole-source purchases, and lack of bidding documents. There were instances where payments were made prior to the delivery of goods and services. In addition, the earlier audit cited internal weaknesses such as inadequate segregation of duties.

Until July 2, 2007, ROCs provided operational and financial support to the schools they served. Subsequent to that date, Integrated Service Centers (ISCs) were established to continue providing training to schools in standard operating procedures. ISCs may review reports of school expenditures to identify instances warranting follow-up contact with schools to reinforce procedures, thereby preventing violations of procedures.

### **Results**

This follow-up audit disclosed that DOE implemented six of the eight recommendations and partially implemented one recommendation made in the previous audit. It could not be determined whether the remaining recommendation was implemented because the sample reviewed did not contain purchases that exceeded the thresholds that would require the

approval of OPM administrator. Additional information concerning such purchases did not include supporting documentation allowing a determination of whether these purchases were approved by the OPM administrator. The recommendation that was partially implemented concerned ensuring segregation of duties: one purchase in the sample showed that the ROC official who approved the purchase was also the person who issued the payment.

The audit reported an internal control issue not cited in the previous audit: schools split purchases to avoid the approval requirements for purchases exceeding \$5,000, the monetary threshold for those purchases. To address the new issue, 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 recommendation of this audit.

### **Audit Follow-up**

DOE reported that the recommendation has been implemented.

## **DEPARTMENT OF EDUCATION**

Follow-up Audit Report on the Other Than Personal Service Expenditures of Schools within the Department of Education Regional Operations Center for Regions 6 and 7

Audit #FS07-122F

Comptroller's Audit Library #7824

Issued: March 19, 2008

Monetary Effect: None

### **Introduction**

This follow-up audit determined whether the Department of Education (DOE) implemented the seven recommendations made in a previous audit entitled *Audit Report on Other Than Personal Service Expenditures of Schools within the Department of Education Regional Operations Center for Regions 6 and 7* (Audit No. MD05-069A, 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 6 and 7 that required Regional Operations Center (ROC) approval. In that audit, the auditors determined that the officials for the ROC and schools in Regions 6 and 7 generally followed DOE procurement policies and procedures for purchases that required ROC approval with the exception of the following: ROC officials did not receive required certifications of delivery; did not ensure that there were written justifications for all three-bid and sole-source purchases; did not ensure purchases were approved by the Office of Procurement Management; did not obtain documentation for all bidding purchases; and obtained approval after goods and services were purchased. This follow-up audit covered Fiscal Year 2006.

Until July 2, 2007, ROCs provided operational and financial support to the schools they served. Subsequent to that date, Integrated Service Centers (ISCs) were established to

continue providing training to schools in standard operating procedures. ISCs may review reports of school expenditures to identify instances warranting follow-up contact with schools to reinforce procedures, thereby preventing violations of procedures.

### **Results**

Of the seven recommendations made in the previous audit, the current audit disclosed that DOE partially implemented four. It has fully implemented the three recommendations that dealt with: ensuring compliance with the DOE Standard Operating Procedures Manual for sole-source professional service purchases of between \$5,000.01 and \$10,000; maintaining copies of bid documentation; and approving non-contracted purchases exceeding \$10,000 only after receiving sufficient evidence that sealed bids were obtained and read at a public opening. The follow-up audit identified three new issues. DOE did not enter certification of delivery of purchases on-line as prescribed; did not assign appropriate on-line access to staff persons responsible for entering certification of delivery in the DOE Financial Accounting Management Information Systems; and incorrectly coded purchase orders.

The follow-up audit made four recommendations to address the issues from the previous audit that still exist, that DOE officials:

- Ensure that certification of delivery for purchases of goods and services is obtained prior to payment of invoices.
- Ensure that written justification for all sole-source purchases is maintained.
- Review solicited written bids to ensure compliance with the bidding guidelines before approving purchase orders.
- Notify all schools that purchases requiring DOE approval must not be made until they receive those approvals.

The follow-up audit made three recommendations to address new issues it identified, that DOE officials:

- Ensure that the dates in FAMIS coincide with the dates of certifications of delivery.
- Grant appropriate levels of on-line access to DOE personnel performing the on-line certification-of-delivery procedure.
- Ensure that purchase orders are correctly coded when entered in FAMIS.

DOE questioned whether two of the four prior audit recommendations found to be partially implemented should not instead be considered implemented since the error rate from our sample was so low.

### **Audit Follow-up**

DOE reported that six of the seven recommendations have been implemented. DOE disagreed with and will not implement the recommendation to grant appropriate levels of on-line access to DOE personnel who perform on-line certifications of delivery because this finding involved only representatives from the Instructional Learning Division, which has been dissolved as of July 1, 2007.

**DEPARTMENT OF EDUCATION**

Follow-up Audit Report on the Other Than Personal Service Expenditures of Schools within the Department of Education Regional Operations Center for Regions 1 and 2

Audit #FS07-123F

Comptroller's Audit Library #7833

Issued: May 21, 2008

Monetary Effect: None

**Introduction**

This follow-up audit determined whether the Department of Education (DOE) implemented the ten recommendations made in a previous audit entitled *Audit Report on Other Than Personal Service Expenditures of School within the Department of Education Regional Operations Center for Regions 1 and 2* (Audit No. MH05-079A, issued May 4, 2005). The scope period of this follow-up audit was Fiscal Year 2006.

The earlier audit determined that the officials of the Regional Operations Center (ROC) and schools in Regions 1 and 2 did not follow DOE procurement policies and procedures for purchases that required ROC approval. There were instances of noncompliance relating to lack of documentation on file to support purchases; lack of certifications of delivery for goods and services; lack of justification and Office of Purchasing Management (OPM) approval for sole-source purchases; and lack of bidding documents. Vendor invoices were lacking and, purchases were made from non-contracted vendors contrary to *DOE's Standard Operating Procedures Manual* requirements, and purchases were made prior to obtaining ROC approval.

Until July 2, 2007, ROCs provided operational and financial support to the schools they served. Subsequent to that date, Integrated Service Centers (ISCs) were established to continue providing training to schools in standard operating procedures. ISCs may review reports of school expenditures to identify instances warranting follow-up contact with schools to reinforce procedures, thereby preventing violations of procedures.

**Results**

Of the 10 recommendations made in the previous audit, the current audit disclosed that DOE implemented four, and partially implemented three. The auditors could not determine the implementation status of the remaining three recommendations because the schools in the sample for the current audit did not make sole-source purchases exceeding the monetary threshold that would require OPM Administrator approval and because they did not purchase the items specified in the recommendation made in the prior report. This follow-up audit noted several new issues not cited in the previous audit: DOE did not enter certifications of delivery in FAMIS in a timely manner; DOE incorrectly coded purchase orders; and schools split purchases to avoid the approval requirements for purchases exceeding \$5,000, the monetary threshold for these purchases.

This follow-up audit made three recommendations to address the outstanding issues from the previous audit, that DOE officials:

- Obtain certification of delivery for purchases of goods and services prior to payment of invoices.

- Review solicited written bids to ensure compliance with the bidding guidelines before approving purchase orders.
- Maintain copies of bid documentation.

This audit made three recommendations to address new issues, that DOE officials should ensure that:

- Certification of delivery is entered in FAMIS in a timely manner.
- Schools correctly classify all purchase orders.
- Schools do not avoid the approval process by splitting the value of purchases.

DOE officials generally agreed with the findings and recommendations of this audit.

### **Audit Follow-up**

DOE reported that all of the audit recommendations have been implemented.

## **DEPARTMENT OF EDUCATION**

Audit of the Travel Expenses of the Department of Education's Central Office

Audit #MD08-078A

Comptroller's Audit Library #7862

Issued: June 30, 2008

Monetary Effect: None

### **Introduction**

The audit evaluated the adequacy of the Department of Education (DOE) internal controls over the travel expenses of its Central Office and determined whether the travel expenses were necessary, reasonable, and for authorized individuals.

The DOE Central Office includes the Schools Chancellor and the major education and management officials of the school system. The Central Office also supports the regional offices (which are now known as the integrated service centers) and schools by providing accounting and payroll services, as well as staff recruitment and training.

DOE spent a total of \$16.3 million for travel expenditures during Fiscal Year 2007, the period covered by the audit. Of this amount, approximately \$4.8 million was spent by the Central Office. Central Office travel expenses are primarily for teacher training, meetings, conferences, retreats, and transportation. For the processing of Central Office travel payments, the Central Administrative Offices (within the Central Office) send most travel voucher packages to the Central Business Office (CBO), which is one of 17 payment-processing offices that service the Central Office. During Fiscal Year 2007, the CBO processed 50 percent (approximately \$2.4 million) of the total value of Central Office travel voucher payments.

**Results**

DOE has inadequate internal controls over the travel expenses of its Central Office. The Central Office did not always adhere to DOE's own written procedures for the purchase and approval of travel expenses or to applicable sections of Comptroller's Directives #6 and #24. While the audit found that, in general, the sampled expenditures were adequately supported by invoices, their lack of underlying supporting documentation prevented determination of whether all purchases were reasonable.

The lack of internal DOE controls and oversight may have contributed to the failure of the Central Office to adhere to DOE's written procedures and City regulations, resulting in the inconsistencies the audit identified in the Central Office purchasing procedures and processing of payment vouchers.

The audit made 14 recommendations, six of which are listed below. DOE should:

- Authorize an appropriate unit to conduct an independent review of the Central Administrative Offices' transactions to ensure compliance with DOE written procedures and Comptroller's Directives.
- Ensure that the Central Administrative Offices adhere to the bidding requirements of the *Standard Operating Procedures Manual* (SOPM) to ensure that needed goods and services are obtained at the best available price.
- Ensure that bids are solicited for conference facilities and associated services prior to using one of the contracted facility vendors. A contracted facility vendor should be used only if it is deemed to be the lowest responsible bidder.
- Ensure that its offices adhere to Comptroller's Directive #6 and provide proper written justification for an event with overnight accommodations.
- Ensure that purchasing documents are recorded prior to making its purchases, to ensure that funds are available and that the estimated liabilities are recorded in the correct fiscal period.
- Ensure that its travel expenditures adhere to the established written procedures of Comptroller's Directive #6 and the SOPM, including allowable food expenditures and approved OP-221 and OD-7 forms.

DOE officials generally agreed with the audit's recommendations.

**Audit Follow-up**

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

**DEPARTMENT OF EDUCATION**

Audit Report on the Department of Education's Reporting of Violent, Disruptive, and Other Incidents At New York City Public High Schools

Audit #MG06-140A

Comptroller's Audit Library #7812

Issued: September 19, 2007

Monetary Effect: None

**Introduction**

This audit determined whether the Department of Education (DOE) has adequate controls in place to ensure that incidents at public high schools, including those determined to be violent and disruptive, are consistently entered in the On-line Occurrence Reporting System (OORS) so that DOE can then report them to the New York State Education Department (SED) in accordance with SED requirements.

DOE is responsible for ensuring that its schools are places where students learn and staff members teach in a safe, secure, and orderly environment. To accomplish this goal, among other things, DOE issues regulations, known as the "Chancellor's Regulations," that all schools are required to follow. In addition, each year DOE publishes a booklet, "Citywide Standards of Discipline and Intervention Measures," known as the "discipline code."

In July 2000, the New York State Education Law was amended by the Safe Schools Against Violence in Education (SAVE) Act to improve the safety of children in the public schools. As a result, all school districts, including New York City, are required to report annually to SED violent and disruptive incidents, as defined by SED, that occur in their schools. SED then posts the data on its web site in its annual "Violent and Disruptive Incident Report" (VADIR). DOE developed and implemented a computer system, OORS, to record incidents reported by the schools. DOE reports to SED only those incidents that are recorded in OORS.

**Results**

DOE does not have effective controls to ensure that incidents at its high schools are consistently entered in OORS so that DOE can then report them in accordance with the requirements of SED. For the 10 sampled schools, 414 (21%) of the 1,996 sampled incidents that we identified were not entered in OORS. Of the 1,996 incidents, 1,247 (62%) were serious<sup>1</sup> and 174 (14%) of them were not entered in OORS.

Additionally, the audit found a wide variation from school to school in the reporting of incidents and in the consistent reporting of similar incidents. Based on discussions with administrators at the 10 schools, a significant reason for the variation is the large amount of discretion that administrators have in categorizing incidents at their schools. The effect of this discretion is significant because OORS is the source of the data reported in VADIR for New York City high schools. Therefore, these variations make it difficult for parents, the public, and government officials to rely on VADIR data to assess the relative safety of a school or to

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<sup>1</sup> For the purposes of this audit, serious incidents are those that SED regulations require be included in VADIR.

compare the safety of different schools. Without more effective central controls, DOE cannot ensure that incidents are, in fact, entered in OORS by its schools and that those incidents determined to be violent and disruptive are reported consistently among schools, so that DOE can report them in accordance with SED requirements.

To address these findings the audit made three recommendations. DOE should:

- Exercise more oversight of data entry in OORS by the schools to ensure that incidents are reported in accordance with DOE regulations. Such oversight should include visiting schools and performing testing of the data entry and reporting process used at the schools.
- Take corrective actions at schools that fail to enter incidents in OORS in accordance with DOE regulations.
- Provide additional training to school administrators regarding how incidents are to be categorized and subsequently recorded in OORS to help ensure that the recording of incidents is consistent from school to school.

DOE officials generally agreed with all three recommendations. However, they disagreed with the tone of the report and believed that the language and data used in the report were imprecise and misleading. A careful review of DOE's arguments found them to be without merit.

#### **Audit Follow-up**

DOE reported that all of the audit recommendations have been implemented.

## **DEPARTMENT OF EDUCATION**

Audit Report on the Effectiveness of the Department of Education in Following Up and Resolving School-Bus-Related Complaints

Audit #MH08-068A

Comptroller's Audit Library #7859

Issued: June 30, 2008

Monetary Effect: None

### **Introduction**

The Department of Education (DOE) provides education to children from pre-kindergarten to 12th grade. DOE's Office of Pupil Transportation (OPT) is responsible for ensuring that clean, safe, and reliable bus service is provided to and from school for students who are New York City residents. OPT maintains a Customer Service Unit (CSU) to address transportation concerns raised by callers and to assist in the resolution of complaints. CSU agents are responsible for recording all school-bus-related complaints received by telephone into a Call Recording System, which is to be used to track and manage complaints. According to the Call Recording System, a total of 376,257 school-age complaints were recorded during the

period July 1, 2006, through January 15, 2008, and a total of 815 pre-kindergarten complaints were recorded during the period July 1, 2007, through January 15, 2008.

This audit determined whether the OPT is effectively recording, following up, resolving, and closing school-bus-related complaints. The audit scope was July 2006 through April 2008.

### **Results**

In general, OPT did not effectively record, follow up, resolve, and close school-bus-related complaints. As a result, there is limited assurance that complaints brought to the attention of OPT regarding unreliable and or unsafe transportation of children are properly identified, determined to be valid, and resolved in a timely and appropriate manner.

OPT indicated that it is in the process of correcting its shortcomings. Nevertheless, the audit identified several areas of concern, including inadequate procedures for following up, resolving, and closing complaints; and inconsistent handling of complaints by CSU agents that resulted in complaint descriptions not always being complete and clear and assigned complaint numbers not always being provided to callers. The audit also found that resolution descriptions indicated on the printouts from the Call Recording System were not always detailed and precise and were sometimes blank, and that the resolutions were not actually resolutions as such, but notes documenting the progress in following up the complaints. Moreover, there is no tracking system in place to record written complaints received; informational and transfer calls that do not require follow up are inappropriately assigned complaint numbers; and the same complaint is recorded more than once and assigned different complaint numbers.

The audit made 17 recommendations, including that OPT should:

- Develop and implement adequate written procedures that are sufficiently detailed for all of its units when following up, resolving, and closing school-bus-related complaints.
- Ensure that complaints received are recorded fully and clearly, as required by the *Customer Service OPT Overview*, to avoid ambiguity and to ensure timely resolution.
- Ensure that complaints are adequately resolved and require that resolution descriptions in the Call Recording System be detailed and clear. In addition, an authorized individual should be responsible for periodically reviewing the resolutions to ensure that they comply with guidelines established by OPT.
- Develop a tracking system to capture written complaints and ensure that they are recorded promptly, fully, and accurately. Information relating to the resolutions of those complaints should also be recorded.
- Ensure that informational and transfer calls are not assigned complaint numbers and included as actual complaints received. Rather, they should be evaluated and reported separately.
- Devise a method to communicate to parents at the beginning of each school year the procedures governing the entire complaint process.

In their response, DOE officials agreed with 15 of the audit's 17 recommendations, disagreed with one recommendation, and partially agreed with another.

**Audit Follow-up**

DOE reported that 16 recommendations have either been implemented or are in process of being implemented. DOE continues to disagree with the recommendation to investigate the absence of the cited complaint numbers in the data because those complaint numbers are not missing, but are archived or voided complaints or calls.

**DEPARTMENT OF ENVIRONMENTAL PROTECTION**

Audit Report on the Department of Environmental Protection's Billing and Collecting of Water And Sewer Charges from Private Hospitals

Audit #FK07-076A

Comptroller's Audit Library #7856

Issued: June 27, 2008

Monetary Effect: Potential Revenue: \$10.6 million

**Introduction**

The Department of Environmental Protection (DEP) provides water and sewer services to all hospitals operating in New York City; however, only private hospitals are directly responsible for water and sewer charges. DEP maintains customer account information, bills customers for water and sewer charges, and tracks payments in its Customer Information System (CIS). DEP's Management Analysis Unit (MAU) is responsible for monitoring private hospitals' outstanding water and sewer charges and collecting those charges.

The audit covered the billing and payment history of private hospital accounts from January 2004 through June 2007. As of June 30, 2007, the 58 private hospitals operating in New York City had outstanding water and sewer charges totaling \$13.4 million. Although 26 hospitals paid all or nearly all of their outstanding balances within one month, 32 hospitals did not.

**Results**

In general, DEP is billing hospitals for water and sewer use properly in accordance with its policies and procedures and the "New York City Water Board Water and Wastewater Rate Schedule." However, the audit disclosed significant internal control weaknesses in DEP's collection practices. DEP:

- Cannot readily identify all hospital accounts; therefore, it cannot track outstanding hospital water and sewer charges efficiently and effectively. The audit identified 313 hospital accounts that were not included in a MAU management report used to track hospitals' outstanding water and sewer charges. As of June 30, 2007, outstanding charges on those accounts totaled approximately \$2.2 million.
- Cannot aggregate charges common to a single customer. According to DEP officials, collection efforts should begin when customers owe \$50,000 or more for more than 30 days. However, since charges are not aggregated and the MAU's management report does not include all hospitals and their associated accounts, DEP is not aware of when the \$50,000 threshold is actually met.
- Has not instituted written collection policies and procedures for its staff to follow when billing and pursuing collection from hospitals.

As a result of these weaknesses, DEP does not make timely and appropriate collection efforts. As of June 30, 2007, 32 of 58 private hospitals had outstanding charges totaling \$12.6 million and had made payments totaling only \$2 million by July 31, 2007. Given that eight of these hospitals are in bankruptcy and/or recommended for closure, DEP may not be able to recover all charges it is owed.

The audit made nine recommendations, including that DEP should:

- Actively pursue collection of total outstanding water and sewer charges from private hospitals.
- Create a comprehensive list of all private hospital accounts by surveying hospital properties and identifying all meters and their associated accounts.
- Make timely and appropriate collection efforts. DEP should contact a designated private hospital official when total outstanding charges are \$50,000 or more for more than 30 days, inform the official of the outstanding charges, and attempt to secure payment in full or to enter into payment agreements.
- Investigate the feasibility of aggregating private hospitals' water and sewer charges on CIS and sending comprehensive bills to designated private hospital officials.
- Institute written policies and procedures that address the duties and responsibilities of key employees responsible for the billing of private hospitals and the collection of charges due.

DEP officials agreed with the audit's findings and recommendations.

#### **Audit Follow-up**

DEP reported that seven recommendations have been implemented and the remaining two recommendations, concerning aggregating private hospitals' water and sewer charges on CIS and instituting written policies and procedures, are in the process of being implemented.

### **DEPARTMENT OF ENVIRONMENTAL PROTECTION**

Job Order Contracting by the New York City Department of Environmental Protection

Audit #FR07-121A

Comptroller's Audit Library #7865

Issued: 6/30/2008

Monetary Effect: Potential Revenue: \$885,500<sup>2</sup>

Potential Savings: \$ 86,680

#### **Introduction**

This audit determined whether the Department of Environmental Protection (DEP) was properly administering job order contracts; whether the cost of work was reasonable; and whether the quality of work was satisfactory.

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<sup>2</sup> Consisting of \$885,500 in liquidated damages and \$86,680 in overpriced job order for concrete barriers.

Job order contracting (JOC) is a procurement method for expeditiously performing maintenance, repairs, and small or medium-sized construction projects. Under a job order contract, four DEP bureaus—Wastewater Treatment, Water and Sewer Operations, Water Supply, and Facilities Management and Construction—can direct a contractor to perform individual tasks as needed, rather than awarding individual contracts for each small project. For each individual task, DEP issues either a job order or a supplemental job order to the job order contractor. The cost of JOC work is based on previously established unit prices for specific items (e.g., electrical, plumbing, roofing). For Fiscal Years 2005 through 2007, the period covered by the audit, DEP issued 1,174 job orders and supplemental job orders totaling \$46.4 million.

### **Results**

There are weaknesses with DEP's administration of the job-order contracting program. Specifically, there is a lack of adequate internal controls that govern the timeliness of JOC work. Consequently, most job-order projects were not developed or completed on time, thereby reducing the JOC program's effectiveness. Moreover, when job-order work was delayed, DEP did not impose liquidated damages totaling more than \$800,000.

In addition, there are problems with job-order work whose costs were not based on pre-established prices contained in the construction task catalogs. In some of these cases, DEP should not have used JOC to carry out the work. In other cases, the prices lacked required supporting documentation. We also identified one job order that was overpriced by almost \$90,000 because the Department did not use the required pre-established prices. The audit also found inaccurate use of multiplier factors, missing contractor submittals, and problems with the PROGEN database.

The audit made 23 recommendations, including that DEP:

- Complete job-order development and issue job orders within required time frames.
- Ensure that JOC contractors complete work on schedule. In this regard, DEP should ensure that unfinished work be completed without further delay.
- Ensure that all job orders contain provisions for liquidated damages. Assess liquidated damages when contractors fail to complete work in accordance with scheduled time frames.
- Determine whether liquidated damages should be assessed for the seven cases noted in this report.
- Cease its practice of using JOC for work that is not based on any established unit prices in the construction task catalogs, and calculate job-order work on the basis of established unit prices in the construction task catalogs.
- Ensure that JOC contractors submit all required material samples, product data, drawings, and test reports. Implement an effective system of administration to record, collect, file, and properly maintain all required documentation in departmental files.
- Implement adequate controls to ensure that the data contained in the PROGEN database is complete, current, and accurate.

DEP agreed with 21 of the 23 recommendations. DEP partially agreed with the recommendation to complete development and issue job orders within required time frames and apparently disagreed with the recommendation to cease its practice of using JOC for work that is not based on any established unit prices in the construction task catalogs.

**Audit Follow-up**

DEP reported that 22 recommendations have either been implemented or are in the process of implementation, and the remaining recommendation has been partially implemented. DEP has updated the unit-price books with additional items to reduce use on non-pre-priced tasks.

**DEPARTMENT OF FINANCE**

Follow-up Audit Report on the Effectiveness of Child Support Enforcement Services Performed by the Sheriff's Office

Audit #MH08-082F

Comptroller's Audit Library #7831

Issued: May 20, 2008

Monetary Effect: None

**Introduction**

This audit determined whether the Sheriff's Office implemented the six recommendations made in the previous audit report, *Audit Report on the Effectiveness of Child Support Enforcement Services Performed by the Office of the Sheriff* (Audit No. MD04-081A, issued June 30, 2005). The period covered by this audit was July 1, 2006, through June 30, 2007.

The Sheriff's Office Family Court Warrants Unit works in partnership with the Office of Child Support Enforcement of the Human Resources Administration (HRA) to obtain child-support payments from parents who fail to make them. The Sheriff's Office assists custodial parents in obtaining child-support payments by serving summonses and subpoenas to noncustodial parents who owe such payments within the five boroughs of the City.

**Results**

Of the six recommendations made in the previous audit, the Sheriff's Office has implemented one recommendation and partially implemented two recommendations. Three recommendations are no longer applicable.

The Sheriff's Office implemented the recommendation to use the Child Support Management System (CSMS) in obtaining addresses for respondents. It partially implemented the recommendations to use computer databases, such as Lexis-Nexis, and to serve respondents at different times of day. However, the recommendations to establish written guidelines governing the length of time it should take to make initial attempts to find respondents and monitor adherence to those guidelines are no longer applicable, since the Sheriff's Office has considerably improved its timeliness. With regard to the final recommendation regarding the adherence of the Sheriff's Office to its written agreement with HRA to initially use the personal method of service rather than the alternate personal method, this recommendation is no longer applicable and that the Sheriff's Office should attempt to revise its agreement with HRA accordingly.

To address the issues that still exist, the audit made the following three recommendations, that the Sheriff's Office should:

- Fully utilize Lexis-Nexis and indicate on the mock-case cards that a search was performed and record the results.
- Follow its own procedure to ensure that Deputies make attempts to find respondents at different times of the day, including the morning, afternoon, and evening.
- Revise its agreement with HRA to reflect that using either personal service or alternate personal service is acceptable in serving respondents.

DOF officials responded that they generally agreed with the audit report's recommendations.

**Audit Follow-up**

The Sheriff's Office reported that one recommendation has been implemented, one recommendation is in process, and one recommendation partially implemented.

**NEW YORK CITY FIRE DEPARTMENT****Audit Report on the Use of Procurement Cards by the Fire Department**

Audit #MD08-072A

Comptroller's Audit Library #7830

Issued: May 5, 2008

Monetary Effect: None

**Introduction**

The audit determined whether the Fire Department (FDNY) has adequate internal controls over the use of procurement cards (p-cards). The scope of the audit was Fiscal Year 2007. P-cards are credit cards used by City personnel for purchasing goods and services. The FDNY uses two types of p-card—purchasing cards and travel cards. During Fiscal Year 2007, FDNY had 11 active purchasing-card users with transactions totaling \$93,496, and 8 active travel-card users with transactions totaling \$103,664.

**Results**

The FDNY has inadequate internal controls over the use of p-cards. It allowed purchases to be made by individuals who were not cardholders and had an inadequate independent review of p-card purchases. P-card purchases lacked receipts, receiving reports, and user logs. In addition, there was an inadequate segregation of duties with regard to p-card transactions. As a result of these weaknesses, there is an increased risk that errors and unauthorized charges may go undetected, and an increased potential for fraud or the misappropriation or misuse of funds.

The audit made eight recommendations, five of which are listed below. FDNY should:

- Ensure that only authorized cardholders use the p-cards.
- Reevaluate the p-card program to determine whether it is necessary to issue more cards to prevent purchases made by unauthorized individuals.
- Ensure that one unit is assigned the responsibility of conducting an adequate, independent review of p-card purchases and that the review is sufficiently documented and performed prior to authorizing payment.
- Ensure that cardholders submit receipts and receiving reports for all purchases to the Accounts Payable Unit. If a receipt or receiving report is not available, a note indicating the reason should be attached to the purchase log.
- Require all cardholders to maintain and submit logs of p-card purchases to the Accounts Payable Unit to aid in the reconciliation of the monthly statements.

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

**Audit Follow-up**

FDNY reported that seven recommendations have been implemented and one recommendation has been partially implemented. It stated that one unit has the responsibility

of conducting independent reviews of p-card purchases; however, FDNY continues to perform these reviews on a post-audit basis.

**HEALTH AND HOSPITALS CORPORATION**

Audit Report on the Possible Misappropriation of Noncontrolled Drugs at Coney Island Hospital

Audit #MG08-120A

Comptroller's Audit Library #N/A

Issued: June 3, 2008

Monetary Effect: None

This was a privileged and confidential report submitted to the Brooklyn District Attorney on June 3, 2008.

**DEPARTMENT OF HOMELESS SERVICES**

Follow-up Audit Report on Department of Homeless Services Controls over Computer Equipment

Audit #7F07-078

Comptroller's Audit Library #7822

Issued: January 31, 2008

Monetary Effect: None

**Introduction**

This follow-up audit determined whether the Department of Homeless Services (DHS) implemented the three recommendations made in the previous audit entitled *Audit Report on Controls of the Department of Homeless Services over Its Computer Equipment* (Audit No. FL03-131A, issued June 30, 2003). This follow-up audit covered the period June 2006 through February 2007.

The earlier audit reviewed the controls that DHS maintained over its computer equipment and determined whether this equipment was properly safeguarded from theft, damage, and unauthorized use. That audit found that DHS had widespread problems with its inventory controls over computer equipment. As a result of its poor inventory management and control practices, \$1,841,015 in computer equipment purchased during the audit period was not listed on DHS inventory records. Moreover, DHS could not account for approximately \$1,640,180 of the \$1,841,015 in computer equipment purchases. At the conclusion of that audit, DHS stated in its response, that it had accounted for all but 325 items with a value of \$333,003.

**Results**

This follow-up audit found that of the three recommendations made in the previous audit report, DHS has implemented two. The third recommendation was only partially implemented. Although DHS has developed a set of inventory policies and procedures, major weaknesses still exist in DHS inventory-management process. Moreover, the inventory management procedures do not fully address Department of Investigation (DOI) inventory standards.

On August 7, 2002, DHS purchased the Lockwood Asset Management Life Cycle Software Application Suite, Large Enterprise Edition (Asset Management Technology [AMT]), a turnkey software package, to automate the computer inventory process. This software became operational on March 2003. This follow-up audit reviewed and analyzed how the application affected the process and found that there were significant delays in updating and maintaining current inventory records in Asset Tracker (a module in AMT); that the data is incomplete; and that the application is not being used to its fullest capacity. Finally, DHS has not consistently followed its inventory management and control procedures over computer equipment.

To address the issues from the previous audit that still exist, the follow-up audit recommended that DHS officials update DHS procedures to ensure that those procedures comport with DOI Inventory Standards.

To address the new issues, the follow-up audit recommended that DHS officials:

- Improve the DHS inventory process by fully utilizing all the capabilities available in AMT, such as tracking back orders and identifying reorder points in advance. Further, DHS should include in Asset Tracker all acquisition dates, the value of each item of inventory, and the movement of inventory items.
- Create a procedure that will allow data from the City's Financial Management System (FMS) to be utilized by AMT.
- Maintain the storage areas and physically organize the assets, thereby making it easier to keep the storage areas usable and safe.
- Place asset tags on assets and the boxes that maintain the assets.
- Replace faded asset tags after a specific period of time to enable easy identification of the asset.
- Conduct weekly meetings with the Gatekeepers, Inventory Administrator, and all responsible employees to obtain feedback on problems and request suggestions for improving the inventory process.
- Contact the Department of Citywide Administrative Services and request the disposal of surplus DHS equipment.
- Incorporate AMT into the DHS disaster recovery plan.

In response to the recommendation addressing issues from the previous audit, DHS stated that while it follows all applicable DOI guidelines, it will review variances cited in the audit for applicability. DHS officials agreed with the eight recommendations regarding new issues and stated that they have already implemented six.

#### **Audit Follow-up**

DHS reported that seven recommendations have been implemented, one recommendation is in process, and plans to implement the remaining recommendation to allow data from the City's FMS to be utilized by AMT in 2010.

**NEW YORK CITY HOUSING AUTHORITY**

Follow-up Audit Report on the New York City Housing Authority Resident Employment Program

Audit #ME08-070F

Comptroller's Audit Library #7844

Issued: June 23, 2008

Monetary Effect: None

**Introduction**

This audit determined whether the New York City Housing Authority (NYCHA) implemented the six recommendations made in the *Audit Report on the Administration of the Resident Employment Program by the New York City Housing Authority* (Audit No. MJ03-143A, issued on June 30, 2004). NYCHA endeavors to provide decent and affordable housing for low- and moderate-income residents throughout the five boroughs. NYCHA currently manages and maintains 343 public housing developments with 178,466 apartments (as of October 2, 2007) and approximately 400,000 residents. In addition to housing, it offers its residents opportunities to participate in a multitude of community, educational, and recreational programs as well as job-readiness and training initiatives.

NYCHA's Department of Resident Employment Services (RES) implements the agency's resident employment training programs, including the Pre-Apprenticeship Program, the Resident Opportunity and Self-Sufficiency Program, and the Resident Employment Program (REP). NYCHA established REP in January 2001. REP requires that every construction and building maintenance contract in excess of \$500,000 expend 15 percent of the total estimated labor cost on hiring and/or training NYCHA residents. NYCHA has two administering departments that oversee construction and building maintenance work—Capital Projects and Operations.

The previous audit concluded that NYCHA did not have effective controls to ensure that REP was operating as intended. The agency did not have standard operating procedures for the program and did not coordinate the efforts of all parties involved in the monitoring of contractor compliance with REP. Contractors generally did not comply with REP requirements and, in a number of instances, overstated the amount of money that went to NYCHA residents. The lack of adequate contract monitoring allowed contractors who did not fulfill their REP obligations to escape the consequences of noncompliance.

**Results**

Of the six recommendations made in the previous audit, NYCHA implemented one, partially implemented one, and did not implement four. Although NYCHA strengthened some of its controls over REP contracts, it did not implement several recommended changes that could have helped it achieve its REP goals. The agency established written procedures to manage REP contracts and monitor compliance with REP requirements. It also implemented a system to better track contracts and monitor contractor compliance with REP requirements.

However, the audit concluded that there was a significant lack of management oversight of the monitoring of REP contracts. There was little evidence of REP program coordination

between RES and the administering departments. Overall, the REP program did not appear to be a high priority for the administering departments.

To address these issues, the audit made 14 recommendations, among other things, that NYCHA:

- Ensure that administering departments consistently provide hiring summaries and related documents to RES.
- Ensure that payments are made to contractors only if all required supporting documents, including hiring summaries, certified payrolls, and sign-in sheets, are submitted.
- Ensure that all hiring summaries are properly approved by the administering departments before contractors' requests for payment are processed.
- Impose sanctions on contractors who consistently fail to meet REP requirements.
- Revise its procedures so that compliance determinations are based in part on the milestones identified in contractors' hiring plans.
- Modify the REP hiring summary so that the contractor not only reports the total labor cost, the labor cost spent on NYCHA residents, and the percentage spent on residents, but also reports on compliance with the milestones identified in the hiring plan.

In its response, NYCHA agreed or partially agreed with nine recommendations and failed to address five.

#### **Audit Follow-up**

NYCHA reported that nine recommendations are in the process of implementation and that two recommendations have been partially implemented. NYCHA disagreed with three recommendations.

## **NEW YORK CITY HOUSING AUTHORITY**

Audit Report on the New York City Housing Authority Efforts to Address Tenant Requests for Repairs

Audit #MJ08-066A

Comptroller's Audit Library #7838

Issued: June 5, 2008

Monetary Effect: None

### **Introduction**

This audit determined whether the New York City Housing Authority (NYCHA) adequately addressed tenant requests for repairs.

NYCHA is one of the largest public housing authorities in the United States and is responsible for providing decent and affordable housing for low- to moderate-income City

residents. NYCHA manages and maintains 343 housing developments consisting of 2,644 residential buildings with nearly 179,000 apartment units that house more than 408,000 residents.

### **Results**

NYCHA maintains adequate efforts to address and resolve tenant repair requests, especially those dealing with emergency conditions and general maintenance. Inspections of conditions at 95 apartments at the 10 sampled management offices and developments showed that NYCHA personnel completed repairs for 109 (95%) of the 115 work tickets associated with those apartments. Further, the implementation of the Centralized Call Center that reorganized how tenants' complaints and repair requests are handled appears to have allowed NYCHA to better meet its goals of standardizing the handling of tenant repair requests and more effectively reducing backlogs and duplication of repair assignments.

Of the 115 sampled work tickets for the 95 apartments inspected, 8 work tickets were for emergency conditions, and 8 were for urgent conditions. The remaining 99 sampled work tickets had a total of 197 sequenced tasks, including 70 maintenance tasks and 127 skilled-trade tasks (122 that were finished and 5 that were not). While all emergency, urgent, and routine maintenance tasks were completed promptly, improvements are needed to address delays in completing tasks requiring skilled-trades personnel.

Other weaknesses noted in this audit include that none of the ten sampled management offices kept on file all of the worker's copies of the completed work tickets. Moreover, NYCHA maintenance, skilled-trades, and supervisory personnel did not consistently sign the worker's copies of work tickets to acknowledge or attest to the completion of assigned work tasks. Further, the audit noted that the PIMS database does not have adequate entry controls to ensure that work-ticket close dates cannot be backdated.

To address these issues the audit made six recommendations, among them that NYCHA should:

- Review and address the level of staffing and scheduling of skilled-trades personnel at the borough offices, identify areas requiring improvements, and design measures to decrease wait time.
- Require that all maintenance, skilled-trade, and supervisory personnel sign the worker's copy of the work ticket.
- Ensure that the management offices retain all original work tickets after the completion of repairs, as required.
- Provide an edit check for the validity of work ticket close dates.

### **Audit Follow-up**

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

**DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT**

Audit Report on the Monitoring of the Award, Transfer, and Succession of Mitchell-Lama Apartments by the Department of Housing Preservation and Development

Audit #MJ06-134A

Comptroller's Audit Library #7826

Issued: March 24, 2008

Monetary Effect: None

**Introduction**

This audit determined whether the Department of Housing Preservation and Development (HPD) adequately monitored and supervised the award, transfer, and succession of apartments at Mitchell-Lama developments to ensure compliance with Mitchell-Lama program regulations.

HPD is responsible for protecting the existing housing stock, expanding housing options, and improving the availability, affordability, and quality of housing in the City. HPD is also responsible for monitoring and overseeing financial and property management, waiting lists, and admission applications for City-sponsored Mitchell-Lama developments.

**Results**

HPD's monitoring and supervision of the award, transfer, succession, and subsequent retention of apartments at Mitchell-Lama developments does not provide sufficient assurance that housing companies consistently comply with Mitchell-Lama Rules (Title 28, Chapter 3, of the Rules of the City of New York). Documentation is not retained to verify that only qualified applicants are approved and awarded apartments. In addition, available vacancy reports, rent rolls, and waiting lists are not compared or reviewed regularly as a means to detect potential irregularities or other questionable matters that may require follow-up.

HPD's audit function is the primary mechanism it uses to assess housing companies' compliance with Mitchell-Lama Rules after apartments are awarded and occupied by tenants. However, HPD lacks a formal, risk-based approach in developing its audit plan and does not perform application audits of housing companies on a cyclical basis or with sufficient frequency to ensure the consistent compliance of housing companies with Mitchell-Lama Rules. Also, the agency lacks a formal system to log and track complaints, and this is a concern since most audits are initiated by complaints.

To address these issues the audit makes 15 recommendations, among them that HPD should:

- Require the retention of the applications review checklist used in the determination of approval or rejection and any other income and occupancy eligibility documentation deemed necessary. If the lack of storage space is a matter of concern, HPD should consider electronically imaging and archiving the documentation to alleviate such difficulties.
- Require the periodic review, evaluation, and comparison of vacancy reports, waiting lists, and rent rolls as part of its routine oversight and monitoring activities to identify and address inaccuracies and deficiencies and investigate any reported discrepancies pertaining to the award, transfer, and succession of Mitchell-Lama apartments.

- Implement a formal audit cycle requiring that each housing company be audited at least once every cycle.
- Design and implement a formal risk-identification methodology and indicators to assess and manage the risk of housing companies' noncompliance with Mitchell-Lama Rules governing the award and occupancy of apartments. These measures and indicators should be used to develop the Audit Unit's annual audit plan.
- Implement a system to log, track, and monitor tenant complaints about Mitchell-Lama housing companies and the resolution of those complaints. The system should enable Housing Supervision to categorize complaints (application, safety, repair, heat, etc.) by type and evaluate the complaints to identify frequency of complaint types and the housing companies against which the complaints are made. This information should also be used by both the Audit Unit and the Operations Unit to supplement their monitoring and supervision activities.

#### **Audit Follow-up**

Of the 15 recommendations made, HPD reported that 11 recommendations have been implemented, 1 recommendation was partially implemented, and 1 recommendation was still being evaluated. HPD disagreed with the remaining 2 recommendations. HPD stated that it retains the redesigned Application Review Check List, redesigned transmittal sheet and application, but cannot retain all supporting documentation. In addition, HPD reported that it is still evaluating the feasibility of an automated waiting list, but feels that the recommendation to automate housing-company submissions for the purpose of establishing a database for analysis is not feasible. HPD also disagrees with the recommendation to periodically review vacancy reports, waiting lists, and rent rolls as part of its routine oversight, but says it performs these reviews at the time of the Application Audit.

**HUMAN RESOURCES ADMINISTRATION**

Audit Report on the Development and Implementation of the Medical Assistance Tracking Information System by the Human Resources Administration

Audit #7A07-066

Comptroller's Audit Library #7811

Issued: September 17, 2007

Monetary Effect: None

**Introduction**

Our office performed an audit of the development and implementation of the Medical Assistance Tracking Information System by the Human Resources Administration (HRA). The mission of HRA is to enhance the quality of life for all City residents by providing temporary assistance to eligible individuals and families to help them lead independent and productive lives. The Home Care Service Program (HCSP) of the HRA Medical Assistance Program is responsible for Medicaid-funded, non-institutional, long-term care programs. The HCSP uses the Home Attendant Line Operating (HALO) system and nine stand-alone personal computer applications to manage its business functions.

In April 1999, HRA undertook a project to implement a new system to replace HCSP's existing systems and to provide improved efficiency at HCSP. The first step in the project was the replacement of the HALO system, which was designed in the early 1970s, and by 1998 had become obsolete. A replacement system known as the Medical Assistance Tracking Information System (MATIS) was designed and developed by Computer Horizons Corporation in conjunction with HRA employees. The objective of the MATIS system was to fully automate the business processes carried out by the HCSP staff. HRA is planning to integrate MATIS and the other subsystems into a new system, Long Term Care Web, which is scheduled to be completed in May 2008.

**Results**

HRA followed a formal system development methodology when developing MATIS; and generally complied with the City Charter and relevant Procurement Policy Board rules when procuring services, equipment, and software for the system.

The audit could not ascertain whether MATIS met the overall goals as stated in the original system justification; although, the system is operational and the system design allowed for future enhancements and upgrades. Specifically, the audit found issues when sample testing was performed and test cases were created to review and analyze the data stored in the system. Based on the test results, MATIS contains inaccurate, outdated, and unreliable data. There are also security weaknesses in MATIS. It does not require that users change their passwords on a regular basis, and is not equipped with an automatic lockout feature. Moreover, HRA does not have procedures in place to ensure that security violations are recorded, documented, and reviewed.

The results of a user-satisfaction survey revealed that 75 percent of the respondents stated that they would like to see changes made to MATIS. Of those surveyed, 71 percent of the respondents stated that the data in the system was occasionally incorrect, and 52 percent stated that MATIS is not user-friendly. Further, the respondents noted concerns that included

the entering of repetitive data; problems with generating reports; inaccurate data on the system; and difficulty in navigating through MATIS.

There was not a formal approval signifying that the system was fully reviewed by an independent quality assurance (QA) unit prior to MATIS being released into the production. Neither did HRA have an acceptance-testing certificate for each of the deliverables for the initial business and system requirements. Finally, HRA did not incorporate MATIS into its agency-wide disaster recovery plan.

The audit made 18 recommendations, including that HRA:

- Review client profiles periodically to insure that information in the system is accurate.
- Modify the system programs to allow users to enter accurate information in MATIS.
- Perform periodic review of all cases with other agencies (i.e., Department of Health death certificates) to verify client's eligibility status.
- Address the user concerns revealed in our survey. In that regard, HRA should consider including help menus, screens, and formats that are easier to use, and providing additional training to those users who reported that they had limited knowledge of the system.
- Develop written policies and procedures for password-security control.
- Engage an independent quality-assurance consultant to monitor and review development work and any system enhancements or subsequent work on MATIS.
- Complete and approve a formal, comprehensive disaster-recovery plan for MATIS in accordance with Comptroller's Directive #18 and the Department of Investigation security standards.

HRA officials agreed with 15 recommendations and disagreed with 3 recommendations.

#### **Audit Follow-up**

HRA reported that it has either implemented or is in the process of implementing the 15 recommendations that it has agreed with. In July 2009, HRA plans to rollout the Long Term Care Web (LRCWeb), which will replace MATIS, and address many of the audit recommendations.

**HUMAN RESOURCES ADMINISTRATION**

Audit Report on the Oversight of the WeCARE Program Contractors by HRA

Audit# MG08-083A

Comptroller's Audit Library #7870

Issued: June 30, 2008

Monetary Effect: None

**Introduction**

This audit determined whether the Human Resources Administration (HRA) adequately monitors WeCARE program contractors to ensure that they are complying with key provisions of their contracts. HRA is responsible for helping individuals and families achieve and sustain their maximum degree of self-sufficiency. In Fiscal Year 2005, HRA developed an initiative intended to expand services and improve the employability of clients with health and/or mental health barriers to employment. The Wellness, Comprehensive Assessment, Rehabilitation, and Employment (WeCARE) program was designed to offer specialized services and individual support to clients with disabilities.

WeCARE services are provided by two outside contractors: Federation Employment and Guidance Service (FEGS) and Arbor Education and Training (Arbor). HRA budgeted approximately \$201,465,000 for the WeCARE contracts to serve more than 45,000 clients annually over the initial three-year contract term. The budget specifies that two-thirds of the contract amount is for milestone completion and one-third for expense. HRA paid the WeCARE contractors a total of \$65.8 million for services provided to clients during Fiscal Year 2007.

**Results**

HRA's monitoring of its WeCARE contractors has a number of weaknesses. Customized Assistance Services (CAS), the HRA division with the responsibility to oversee and monitor the WeCARE program, does employ useful oversight techniques, such as biweekly visits to contractors' sites to view the program's operations and address outstanding issues, monthly meetings with contractors, requiring contractors to submit monthly reports of milestone completion and deliverables, and the stationing of Senior WeCARE Specialists at contractors' sites to act as liaisons between the contractors and HRA.

However, HRA has not established a formal program-monitoring and evaluation process with regard to verification of contractor-submitted data, thereby increasing the risk that HRA will not be aware of contractors' noncompliance with provisions of their contracts. Its monitoring of key financial components of the WeCARE contracts likewise had deficiencies; it lacked sufficient payment reviews of several contract milestones and performed inadequate payment review of two major milestones. Additionally, HRA needs to increase its efforts with regard to identifying and recouping duplicate or erroneous payments and verifying monthly contractor expense-reimbursement requests. If HRA were to correct these weaknesses, it would be better able to ensure that contractors are paid for services actually provided to WeCARE clients and that City funds are properly disbursed and protected.

To address these issues, the audit made 14 recommendations, including that HRA should:

- Ensure that standard operating procedures are formulated and updated to accurately reflect specific requirements for various activities performed by CAS in monitoring the WeCARE contracts.
- Create a central repository to record and maintain activities concerning the contracts.
- Establish a formal process for performing verifications of contractor-submitted data on a regular basis to better ensure that data entered in NYCWAY by contractors is accurate.
- Ensure that responsibility for milestone prepayment reviews is clearly defined.
- Perform periodic reviews of supporting documentation for expenses claimed by vendors to better ensure that the expenses are legitimate.

HRA officials agreed to implement 12 of the 14 audit recommendations. HRA disagreed with the recommendations that addressed the performance of prepayment reviews for all milestones before payment is made, and the performance of periodic reviews of supporting documentation for expenses claimed by vendors.

#### **Audit Follow-up**

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

## COMMISSION ON HUMAN RIGHTS

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

Audit #FP08-092A

Comptroller's Audit Library #7852

Issued: June 26, 2008

Monetary Effect: None

### Introduction

The New York City Commission on Human Rights (CCHR) enforces the New York City Human Rights Law. It maintains in each borough a Community Service Center that addresses discrimination complaints and implants educational and enforcement programs that target accessibility, fair housing, employment, and immigrant issues.

This audit determined whether CCHR is complying 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, #6, and #24; applicable Procurement Policy Board (PPB) rules; and the Department of Investigation (DOI) *Standards for Inventory Control and Management*. During Fiscal Year 2007, the period covered by the audit, Other Than Personal Services (OTPS) expenditures for the New York City Commission on Human Rights amounted to \$1,849,980.

### Results

The audit disclosed that CCHR generally adhered to Comptroller's Directives #3, #6, and #24; applicable Procurement Policy Board rules; and the Department of Investigation *Standards for Inventory Control and Management*. However, there were minor instances in which CCHR did not comply with certain purchasing and inventory procedures. CCHR

- lacked bidding documentation for two contracts totaling \$23,604;
- charged the incorrect object code for 3 of the 67 purchase vouchers tested, totaling \$42,442, and 1 of the 5 miscellaneous vouchers tested, totaling \$1,369;
- improperly spent \$386 from its imprest fund account for a retirement party for one of its employees;
- issued a \$572 electronic fund transfer payment to United Parcel Service for delivery services through its imprest fund account, in excess of the \$250 limit;
- does not have its imprest fund checks imprinted with the restrictive endorsement statement, "void after 90 days"; and
- did not hand stamp "PAID \$ CHECK # DATE" on seven invoices and receipts attached to the imprest fund vouchers; and did not maintain complete and accurate inventory records.

The audit made ten recommendations, including that CCHR should ensure that:

- Documentation of bidding is maintained on file.
- Justification for use of sole-source vendors is in accordance with the PPB rules.

- All payments are charged to the correct object code.
- City funds are not used for retirement luncheons.
- Imprest fund purchases do not exceed \$250.
- Complete and accurate records of all equipment are maintained.

CCHR officials verbally agreed with the report's findings and recommendations, but chose not to respond in writing.

**Audit Follow-up**

CCHR reported that it has implemented corrective actions for all of the audit findings.

**DEPARTMENT OF JUVENILE JUSTICE**

Audit Report on the Oversight of Father Flanagan's Group Home Contract by the Department of Juvenile Justice

Audit #MD08-062A

Comptroller's Audit Library #7847

Issued: June 25, 2008

Monetary Effect: None

**Introduction**

This audit determined whether Father Flanagan's Boys Home operated in accordance with the key terms of its contract with the Department of Juvenile Justice (DJJ) and whether DJJ adequately monitored the contract.

DJJ provides detention, aftercare, and prevention services to juveniles aged 7 through 15. DJJ oversees a network of non-secure detention group homes in Queens, Manhattan, Brooklyn, and the Bronx. In 2000, DJJ entered into a contract with Father Flanagan's for the purchase of non-secure detention group care for juveniles at 535 Bergen Street, Brooklyn. The term of the most recent contract was April 1, 2005, through March 31, 2008. The contract requires Father Flanagan's to provide the following services: custody, detention, basic youth care, food, clothing, shelter, transportation, education, health care, recreation, court-related services, social work and case management services, social skills instruction, group sessions, and the monitoring and supervision of these services. The audit scope was Fiscal Year 2007.

**Results**

Father Flanagan's, for the most part, operates in accordance with the key terms of its contract with DJJ. It ensures that educational services are provided in accordance with state and local regulations, including transporting youth to and from school and providing assistance when needed. Father Flanagan's also ensures that juveniles are transported to and from court, medical and dental appointments, and recreational events. In addition, all new-employee backgrounds are examined prior to hiring, and the backgrounds of existing employees are monitored annually. Furthermore, Father Flanagan's ensures that various logbooks are maintained and that weekly indicator reports, monthly expenditure reports, and quarterly reports regarding employee status are submitted to DJJ, as required by the contract. Operating expenditures paid for with DJJ funds appeared to be reasonable, were adequately supported by invoices, and were always within the contract budget.

However, the audit noted some areas in which Father Flanagan's was not in compliance with the contract. Father Flanagan's did not ensure that all of its employees had valid driver's licenses, and had incomplete logbooks, which are required to contain all incidents that occur at the facility.

The audit also found that DJJ does not adequately monitor its contract with Father Flanagan's Bergen Street facility. DJJ has not conducted performance evaluations of the contract on an annual basis, as required. Site visits and corrective action plans are not documented; internal and external audits were lacking; facility logbooks were not adequately reviewed; and driver's licenses were not monitored for validity. In addition, DJJ did not have case-management reports, minutes of Facility Director meetings, facility census reports, or school progress

notes, all of which should be used by DJJ to monitor Father Flanagan's compliance with the contract. Moreover, the incident database maintained by DJJ was incomplete.

The audit made 10 recommendations, 5 of which are listed below. DJJ should:

- Ensure that it conducts annual performance evaluations for all contractors and should conduct a current performance evaluation prior to the renewal of the Bergen Street facility contract to determine whether it should be renewed.
- Create a formal monitoring system whereby it performs routine site visits to the Bergen Street facility to ensure compliance with the contract and, if necessary, perform follow-up visits.
- Ensure that timely annual external audits of the financial and operational activities as well as periodic internal audits are conducted of the Bergen Street facility.
- Ensure that it periodically reviews the Bergen Street facility's logbooks, along with any accompanying backup documents, and that logbooks are complete and up to date. It should also ensure that evidence of its own review is documented.
- Ensure that Father Flanagan's is reviewing and monitoring its employees' driver's licenses to ensure that they are valid and that the employees are qualified to drive.

DJJ officials agreed with 9 of the 10 recommendations made in the report and disagreed with one concerning the maintenance and review of documentation related to contract monitoring.

#### **Audit Follow-up**

DJJ reported that it has either implemented or is in the process of implementing 8 of the 9 recommendations that it agreed with, and plans to schedule an internal audit of the Bergen Street facility in the near future. DJJ continues to disagree with the remaining recommendation.

**MULTI-AGENCY (DEPARTMENT OF EDUCATION AND DEPARTMENT OF HEALTH AND MENTAL HYGIENE)**

Audit Report on the Adherence of the Department of Education and the Department of Health and Mental Hygiene to Student Vision and Hearing Screening Program Regulations

Audit #MD06-139A

Comptroller's Audit Library #7843

Issued: June 19, 2008

Monetary Effect: None

**Introduction**

This audit determined whether the Department of Education (DOE) and the Department of Health and Mental Hygiene (DOHMH) provide hearing and vision screenings to New York City public school students in accordance with applicable regulations.

Chancellor's Regulation A-701 requires vision and hearing screenings to be conducted for students from pre-kindergarten through grade 3; in grades 5, 7, and 10; and for new entrants. The Office of School Health (OSH) is a joint program of DOE and DOHMH composed of DOE and DOHMH employees that provides health services to public school students. Together, DOE and DOHMH provide vision and hearing screenings to students. By agreement between the two agencies, DOE is to screen all students in kindergarten and first grade, and to new entrants to elementary school. DOE is to screen all students not screened by DOHMH. Regardless of which agency conducts screenings, DOE is ultimately responsible for the vision and hearing screening program and ensuring that all students are screened. The scope of the audit was school years 2002-2003 through 2005-2006.

**Results**

The consolidated vision and hearing screening program of DOE and DOHMH did not provide vision and hearing screenings in accordance with applicable regulations. For the period reviewed, the agencies conducted only 66 percent of the required vision screenings, with 42 percent of the required DOE screenings conducted and 94 percent of the required DOHMH screenings conducted. With regard to hearing screenings, the agencies conducted only 54 percent of the required hearing screenings, with 20 percent of the required DOE screenings conducted and 94 percent of the required DOHMH screenings conducted.

The results are attributable to a lack of oversight and monitoring of the vision and hearing screenings program by DOE, which had no central unit responsible for reviewing screening data during the audited period. As a result:

- Vision and hearing screenings are not being provided to New York City public school students in accordance with applicable regulations.
- There is very limited follow-up to parents of students who fail the vision and hearing screenings to ensure that the students who require the greatest amount of follow-up care receive it.
- DOE cannot ensure that students were screened in the appropriate grades, as defined in the Chancellor's Regulations, because DOE cannot generate from the Automate the School System (ATS) accurate reports on the number of screenings conducted.

- DOE did not ensure that screenings were conducted at schools that had a School-Based-Health Center.

The audit made 13 recommendations, 5 of which are listed below. DOE and DOHMH should:

- Immediately take steps to ensure that vision and hearing screenings are conducted for the sampled students noted in this report who have not received screenings.
- Jointly issue a manual on vision and hearing screening that more clearly defines the division of responsibility between DOHMH and DOE and that reflects the agreement between the agencies on the detailed tasks of their respective staffs.

DOE should:

- Establish an effective Vision and Hearing Screening oversight unit to monitor screenings and ensure that students are screened for vision and hearing in the appropriate grades, as called for in the Chancellor's Regulations.
- Require each school to assign individuals to conduct follow-ups with parents of all students who fail vision and hearing screenings.
- Require an oversight unit to monitor and review screening information entered in ATS to ensure that all schools are making the required entries.

DOE and DOHMH officials generally agreed with seven recommendations, partially agreed with one recommendation, and disagreed with the remaining five recommendations made in the report.

#### **Audit Follow-up**

DOE and DOHMH reported that they have either implemented or are in the process of implementing ten recommendations and continue to disagree with the remaining recommendations. DOE asserted that DOHMH, not DOE, conducts and follows up on hearing screens.

**AUDITS OF MANAGERIAL LUMP SUM PAYMENTS**

Monetary Effect: Actual Savings: \$340,037.15

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 2008, those audits of the managerial lump sum requests submitted by city agencies, resulted in a savings to the City of New York of \$340,037.15:

Total number of claims in Fiscal Year 2008	480
Total amount of agency-prepared lump sum claims	\$10,077,532.76
Total amount of lump sum claims approved for payment	\$ 9,737,495.61
Claims correctly prepared by the agency	244
Claims reduced during audit	201
Claims increased during audit	35
Claims denied	0
Total dollar value of agency overpayments, before audit	\$ 345,346.74
Total dollar value of agency underpayments, before audit	\$ 5,309.59
Net Savings resulting from audit	\$ 340,037.15

**AUDITS OF HIGH RISK WELFARE FUND PAYMENT VOUCHERS**

Monetary Effect: Actual Savings: \$889,496  
 Potential Savings: \$600,150

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 2008, 3,416 vouchers totaling more than \$494.5 million were audited, with these results:

	<b><u>Number of Vouchers</u></b>	<b><u>Amount</u></b>
Total Number of Vouchers Audited:	3,416	\$494,526,367.83
Vouchers Accepted:	2,966	\$385,519,114.33
Vouchers Not Accepted:	450	\$109,007,253.50
Overpayments:		\$ 1,489,645.08
Questionable:		\$ 0.00
Underpayments:		\$ 9,271.60

Collections during Fiscal Year 2008 totaled \$889,496. Agencies recouped this amount either by check from the appropriate fund or by deducting the overpayment from subsequent payment vouchers.

**DEPARTMENT OF PARKS AND RECREATION**

Audit Report on the Financial and Operating Practices of the Department of Parks and Recreation for the West 79<sup>th</sup> Street Boat Basin

Audit #FK06-123A

Comptroller's Audit Library #7821

Issued: January 30, 2008

Monetary Effect: None

**Introduction**

This audit determined whether the Boat Basin had adequate and effective controls related to the collecting, recording, and reporting of revenue; the Boat Basin complied with the Rules of the City of New York, Title 56, §3-06, §3-22, §4-04 and §4-16; and the Department of Parks and recreation (Parks) Counsel's Office properly placed applicants on the Boat Basin waiting list.

Parks manages, operates, and maintains the West 79th Street Boat Basin (Boat Basin) in Riverside Park on the Hudson River. The Boat Basin offers seasonal and transient dockage, seasonal and transient mooring, monthly and daily parking, and storage for kayaks and canoes. The Parks Marine Division is responsible for the management of the Boat Basin. Marine Division officials include the Marina Director and the Chief Dockmaster, who is responsible for the overall administration of Marine Division facilities, including the Boat Basin, and enforcement of Parks policies and rules. Fees collected at the Boat Basin are forwarded to the Parks Revenue Division (Revenue), which is responsible for recording and reporting on Boat Basin accounting transactions. For Fiscal Years 2005 and 2006, reported revenues for the Boat Basin were approximately \$874,147 and \$949,064 respectively. The audit covered the period January 2005 to December 2006.

**Results**

The audit of the Boat Basin's operations revealed a total disregard for internal controls over the collecting, recording, and reporting of revenues generated from all sources, including seasonal and transient dockage, seasonal and transient mooring, kayak and canoe storage, monthly and daily parking, and boater services. Moreover, Parks allowed an environment to exist in which irregularities appear to have occurred. During the course of the audit, red flags were raised. The number and magnitude of these red flags, as well as the disregard for internal controls, raise questions of whether fraud may have occurred at the Boat Basin. The following are examples of fraud indicators:

- The Chief Dockmaster was responsible for generating word-processed transient dockage or mooring, monthly parking, and kayak or canoe storage agreements, and transient parking passes; accepting payments; and signing agreements. The Chief Dockmaster should not have performed all of these functions because it violates the segregation of duties principle and allows for fraud and misappropriation.
- Twenty-three customers, responding to a survey, stated that they paid automobile parking fees totaling \$66,250 for calendar year 2005; however, the Boat Basin recorded only \$22,750 as being paid by these customers.

- In September 2006, an unauthorized order was placed for a two-year supply of customer receipts. This order was subsequently canceled, and no orders have been placed since then.
- Auditors encountered obstacles and extensive delays in obtaining basic documentation that should have been readily available. These obstacles and delays were highly unusual and far beyond common business practice.

The audit also found that the Boat Basin failed to ensure that its customers maintained proper insurance and registration, as required by the Rules of the City of New York, Title 56, §3-06 and §4-04; Parks failed to institute rates for charter and educational vessels at the Boat Basin; the Revenue Division lacked segregation of duties and a reliable accounts receivable system; and the Counsel's Office lacked controls over the Boat Basin's waiting list.

The audit made 26 recommendations, including that Parks should:

- Establish and implement a system of internal controls over the financial operations of the Boat Basin to ensure that all fees are accounted for, collected, and reported to Parks.
- Closely supervise and monitor the Boat Basin's financial operations, including the collection, recording, and reporting of gross receipts.
- Separate the responsibilities for authorizing transactions, processing and recording transactions, reviewing transactions, and handling any related assets at both the Boat Basin and Revenue.
- Ensure that all vessels entering the Boat Basin are properly insured and registered.
- Institute rates for charter and educational vessels for the Boat Basin.
- Ensure that Revenue receives copies of all agreements and uses them to post customer charges accurately and promptly.
- Ensure that the Counsel's Office systematically files and maintains all documentation pertaining to the Boat Basin waiting list and removes from the waiting list applicants that defer two offers for dockage.

Although Parks objected to the audit's findings regarding internal controls and fraud indicators cited in the report, it agreed with 20, partially agreed with 3, and disagreed with 3 of our 26 recommendations. Parks maintained that it has already implemented or will implement 24 recommendations.

#### **Audit Follow-up**

Parks reported that it partially implemented 3 recommendations and that it has either implemented or is in the process of implementing 20 recommendations. Parks will not implement 3 recommendations pertaining to: ensuring that transient agreements are not used for multiple transactions, recording all vessels entering and leaving the marina, and depositing cash receipts in the bank on the same or the next business day. Parks stated that since customers often procure multiple services in short periods, they should not have to execute multiple agreements. And although Parks will not record all vessels and deposit cash receipts on the same or next day, it keeps a log of customer float plans and is working to create a manageable system where future deposits can be made more frequently.

**DEPARTMENT OF PARKS AND RECREATION**

Audit Report on Department of Parks and Recreation Oversight of Capital Improvements by Ferry Point Partners, LLC

Audit #FR06-137A

Comptroller's Audit Library #7816

Issued: October 25, 2007

Monetary Effect: Potential Revenue: \$6,286,000

**Introduction**

This audit determined whether the Department of Parks of Recreation (Parks) has effectively monitored Ferry Point Partners, LLC to ensure that remediation costs were substantiated, reasonable, and necessary, in accordance with provisions of the license agreement and amendment; and to determine whether scheduled capital improvement work was being performed in accordance with the license agreement and modification.

Under the terms of a May 31, 2000 license agreement with Parks, Ferry Point Partners LLC (i.e., the concessionaire) was granted a concession that required it to develop, operate, and manage the Ferry Point Golf Course in the Bronx. The agreement required the concessionaire to complete, by January 1, 2003, at least \$22,470,000 in capital improvements and pay the City the greater of a \$1.25 million annual fee or a percentage of gross receipts.

The concessionaire commenced capital-improvement work in August 2000 by importing fill material to shape and contour the premises, formerly the site of a City municipal landfill. After excessive levels of methane gas—a hazardous substance—were detected in 1999, the concessionaire undertook its remediation. The City's Franchise and Concession Review Committee authorized Parks to expend up to a total of \$8.6 million for the remediation. As of September 2006, Parks had reimbursed the concessionaire \$7.24 million. In addition, Parks modified the original agreement's ending date from January 1, 2003, to April 15, 2004. In November 2006, while this audit was in progress, Parks informed the Comptroller's Office that it was preparing to terminate its license agreement with the concessionaire. Parks did not provide an explanation for its decision.

**Results**

Parks has not effectively monitored remediation costs submitted by the concessionaire to determine whether they were substantiated, reasonable, and necessary, and did not determine whether scheduled capital improvement work was being performed in accordance with the license agreement and modification. As a result, the City overpaid the concessionaire almost \$6 million and lost more than \$3 million in revenue from forgone license fees. Moreover, Parks permitted the concessionaire's contractor to collect fees that could have been remitted to the City, thereby, defraying the cost of the remediation. In addition, Parks has not assessed the concessionaire \$6,286,000 in liquidated damages.

Furthermore, Parks did not have written procedures to ensure the adequacy of documentation submitted to substantiate the reasonableness of costs and to approve the work as required remediation. In that regard, the Department did not prepare written descriptions of specific remediation items required and estimates of their associated costs. These would have aided Parks in determining whether the submitted remediation costs were reasonable.

The audit made 11 recommendations, including that Parks:

- Review all concessionaire invoices to identify which specific work items are included in the \$7.24 million reimbursements. For those items for which the concessionaire is not entitled to reimbursement, Parks should revoke the improperly granted reimbursements and recoup the excess payments.
- Ensure that City funding is used solely for the purposes for which it has been authorized.
- Track the progress of capital improvements against start and completion dates prescribed in the agreement.
- Assess the concessionaire all appropriate liquidated damages.
- Prepare a written scope of work and an itemized breakdown of costs for all required activities.
- Prepare and adhere to written policies and procedures that govern the review of invoices, canceled checks, and other related documentation.
- Prohibit concessionaires that have concession agreements with the City from collecting and retaining any type of fees before the commencement of concession operations.

Parks agreed with eight recommendations and disagreed with three recommendations.

#### **Audit Follow-up**

Parks reported that seven recommendations have been implemented, one recommendation will be taken under advisement, and that it continues to disagree with the remaining recommendations. Parks concluded that the items referenced were not improper reimbursements, that it does not feel it is necessary to assess Ferry Point liquidated damages, and stated that it did require and receive supporting documentation with invoices. Moreover, Parks asserted that the license agreement with Ferry Point Partners terminated on October 23, 2007.

**NEW YORK CITY POLICE DEPARTMENT**

Audit Report on the Cash and Firearm Custody Controls of the Manhattan Property Clerk Division of the Police Department

Audit #MH07-127A

Comptroller's Audit Library #7868

Issued: June 30, 2008

Monetary Effect: None

**Introduction**

This audit determined whether the Manhattan Property Clerk Division of the New York City Police Department (NYPD) has adequate controls over the custody, return, and disposition of cash and firearms. The period covered by this audit was July 1, 2006, through June 30, 2007 (Fiscal Year 2007).

The Property Clerk Division (PCD) of the NYPD accepts, catalogs, and safeguards all property brought into its custody. The types of property accepted by PCD include cash, narcotics, rifles, handguns, and general property of varying description. The property is categorized as arrest evidence, investigatory, safekeeping, or decedent's property. The NYPD has established five PCD offices, one in each borough, to accept and safeguard the property in custody. This audit focused on the Manhattan PCD office and its controls over two types of property: cash (from an arrest and investigation of a criminal case) and firearms (handguns and rifles)—both susceptible to theft and, in the case of the firearms, a matter of public safety.

**Results**

The Manhattan PCD's controls over the custody, return, and disposition of cash are generally adequate. However, the controls over the custody, return, and disposition of firearms were inadequate and require immediate attention to address conditions that include the following:

- Manhattan PCD officials could not immediately account for or retrieve from their designated storage 94 (29%) of the 324 sampled firearms brought in for safekeeping.
- The Manhattan PCD failed to record pertinent information in its documents that would permit it to readily track and account for the firearms in its custody.
- Rifles were stored in a disorderly manner, and some of the rifles lacked identifying tags.
- Firearms were kept by the Manhattan PCD office longer than required by NYPD regulations.
- The Manhattan PCD cannot accurately account for the number of firearms in its custody since there are no written NYPD procedures governing inventory of firearms in custody, and does not keep adequate sequential numbering systems.

The audit made 13 recommendations, including that the NYPD should:

- Overhaul the rifle-storage area of the Manhattan PCD so it can store rifles according to the year received, and provide a storage system that will keep the rifles separate one from the other on the shelves.

- Consider replacing the manual system with a computerized system to improve the controls over the handling of property brought into PCD custody.
- Ensure that the Manhattan PCD follow the procedures governing the destruction of firearms after the allotted time of one year, as required by the Penal Law.
- Implement a system that red-flags firearms that are stored at the Manhattan PCD facility beyond one year and identifies the date after which they should be sent to Pearson Place for destruction.
- Immediately inventory all firearms in the Manhattan PCD's possession.
- Establish written procedures that require that the Manhattan PCD conduct and maintain an inventory system to accurately account for all firearms that are in its custody, as well as firearms that are returned and disposed of.

In their response, NYPD officials agreed with 3 of the 13 recommendations; determined that 9 recommendations, while valid, are unnecessary because they call for an action, policy or practice that was planned or existed independent of the audit; and stated that 1 recommendation requires further analysis and evaluation.

#### **Audit Follow-up**

NYPD reported that it is in the process of implementing the three recommendations it agreed with, continues to assert that one recommendation, although valid, is unnecessary, and continues to study and further evaluate the remaining recommendations. In addition, NYPD stated it is in the process of creating a Property and Evidence Tracking System (PETS) which will computerize the PDC record-keeping system and address many of the audit recommendations.

**DEPARTMENT OF PROBATION**

Audit Report on the Vera Institute of Justice Contract with the Department of Probation to Operate the Esperanza Program

Audit #ME07-133A

Comptroller's Audit Library #7850

Issued: June 26, 2008

Monetary Effect: None

**Introduction**

This audit determined whether the Vera Institute of Justice (Vera) complied with the provisions of its contract with the Department of Probation (DOP) to operate the Esperanza/Hope (Esperanza) program.

Esperanza is an intensive, family-centered supervision program used to develop interventions to safely reduce the City's use of incarceration in juvenile delinquency cases. DOP's contract with Vera requires that Esperanza provide family-based, intensive-treatment services to juvenile delinquents who would otherwise be placed in a State facility by Family Court. In addition to providing direct services to delinquent youths, the contract calls for Esperanza to aid DOP in implementing structural changes within the agency. In Fiscal Year 2007, the scope period of the audit, Esperanza provided direct services to 160 youths and was paid a total of \$3,199,263.

**Results**

The audit revealed that Vera generally complied with the provisions of its contract with DOP to operate the Esperanza program during Fiscal Year 2007. There was evidence that Esperanza's performance-based claims for reimbursement were generally supported, that field counselors provided direct services to Esperanza clients, and that required technical assistance and reports were provided to DOP.

However, the audit also concluded that there were serious weaknesses in DOP's Esperanza contract. The contract lacked sufficient incentives. Only 15 percent of payments were for meeting performance measures regarding direct services to clients; another 13 percent of contract payments related to other deliverables, such as the provision of technical assistance and reports to DOP. The remaining 72 percent was to reimburse Esperanza for staff salaries, executive support, and overhead costs. With regard to performance incentive measures, Esperanza consistently fell short of meeting the target of 54 client enrollments per quarter in Fiscal Year 2007. Although Esperanza exceeded DOP's target rate of 70 percent of clients avoiding placement in a State facility within nine months of enrollment, the audit questions whether the 70 percent target is adequate. The audit also questions Esperanza's methodology for estimating the City cost savings attributable to Esperanza's placement-avoidance efforts.

In addition, the audit identified significant deficiencies in DOP's oversight of contract compliance. It did not require supporting documentation from Esperanza for its staff salary, executive-support, or overhead cost claims, nor did it periodically visit Esperanza to review any of this documentation. Although Esperanza generally maintained adequate records on staff salaries and benefits, it was unable to provide a clear accounting for its executive-support costs (of over \$80,000) and overhead costs (of over \$125,000) and failed to provide any

documentation to support its overhead costs. As a result, DOP and Esperanza were unable to demonstrate that those funds were used in an appropriate manner. By failing to properly monitor executive-support and overhead expenses, DOP is increasing the risk that City funds will be misused.

To address these issues, the audit recommends, among other things, that DOP:

- Expand the performance-based component of future contracts providing family-based, intensive-supervision alternatives to placement in State facilities.
- Strengthen the placement-avoidance performance measure in the contract.
- Recoup all funds relating to special compensation, executive-support, and overhead costs in Fiscal Year 2007 for which Esperanza is unable to provide adequate supporting documentation.

The audit also recommends that Esperanza:

- Improve its cost-savings report by (a) adjusting its placement-avoidance savings estimate to account for clients who are sentenced to incarceration by an adult court within three years of exiting the Esperanza program, and (b) subtracting Esperanza's costs from the placement-avoidance savings estimate.
- Improve support for its cost-savings reports by providing credible evidence for the discount rate it uses to adjust estimated savings to account for projected future placements.
- Account for and maintain adequate documentation on its special compensation, executive-support, and overhead expenses.

DOP agreed or partially agreed with four recommendations and disagreed with four, but stated that the successor contract will address the audit's concerns as is consistent with the purpose and mission of the Esperanza program.

#### **Audit Follow-up**

DOP reported that seven recommendations have been implemented. DOP stated that it continues to disagree with the remaining recommendation to recoup funds from Esperanza because DOP believes that Esperanza's documentation was satisfactory.

**BROOKLYN PUBLIC LIBRARY**

Follow-up Audit Report on the Financial Controls of the Brooklyn Public Library

Audit #FS08-101F

Comptroller's Audit Library #7836

Issued: May 23, 2008

Monetary Effect: None

**Introduction**

This follow-up audit determined whether the Brooklyn Public Library (Library) implemented the three recommendations made in a previous audit entitled *Audit Report of the Financial Controls of the Brooklyn Public Library* (Audit No. MD05-059A, issued June 22, 2005). This audit also determined the Library's current position on one recommendation that was not implemented in an earlier 2001 audit, *Follow-up Audit on the Financial and Operating Practices of the Brooklyn Public Library* (Audit No. MD01-071F, issued June 6, 2001).

The 2005 audit disclosed that in general, Library expenditures funded by City appropriations were valid and accurate. However, this previous audit noted concerns with certain computer equipment inventory practices in the Library's Finance Department. With regard to those questionable inventory practices, the audit noted there was no evidence of supervisory review and approval of the computer equipment inventory list, and that the computer equipment inventory list contained errors (missing and duplicate items). The audit also found that none of the sampled computer equipment was tagged to denote Library ownership or was listed in inventory records with its location.

**Results**

This audit found that the Library implemented the three recommendations made in the June 22, 2005, audit, and did not implement the one recommendation made in the June 6, 2001, audit. The recommendation not implemented concerned the amendment and updating of the 1903 agreement with the City to more clearly define the duties, the obligations, and the responsibilities of each party. In regard to that recommendation, the Library stated that it "continues to maintain that it is unnecessary to change in any way its existing agreement with New York City."

The audit also identified new issues concerning certain inventory-management practices of computer equipment installed in the Library's Finance Department. Specifically, the Library assigns only one "asset tag" to an entire system consisting of a central processing unit (CPU), computer monitor, keyboard, and mouse. Moreover, there were no records that documented employees' receipt of computer equipment (laptops) and outlined their responsibilities for safeguarding the equipment during long-term use in their homes. The Library agreed to comply with the two new recommendations to address the audit's new issues.

**Audit Follow-up**

The Library reported that it has either implemented or is in the process of implementing the two new audit recommendations. The Library continues to disagree with the recommendation to change its existing agreement with the City of New York.

**QUEENS BOROUGH PUBLIC LIBRARY**

Follow-up Audit Report on the Financial and Operating Practices of the Queens Borough Public Library

Audit #ME08-067F

Comptroller's Audit Library #7848

Issued: June 25, 2008

Monetary Effect: None

**Introduction**

This audit determined whether the Queens Borough Public Library (the Library) implemented the nine recommendations made in the *Audit Report on the Financial Controls of the Queens Borough Public Library* (Audit No. MG05-095A, issued June 30, 2005). The audit report concluded that the Library had weaknesses in its purchasing practices, book-sales-revenue processing, computer equipment inventory controls, banking procedures, and payroll check distributions.

The Library is one of the three separate library systems serving the City. It is guided by a 19-member Board of Trustees appointed by the Mayor and the Queens Borough President. The Mayor, the Speaker of the City Council, the Comptroller, the Public Advocate, and the Borough President are ex-officio members of the Board. The Library Director is responsible for the administration of the Library.

The Library consists of a Central Library in Jamaica, 61 Community Libraries, and seven Adult Learning Centers. It serves a population of 2.2 million. The Library receives the majority of its operating funds from the City. In Fiscal Year 2007, the Library spent \$115,188,597—\$71,743,052 for Personal Services (PS) and \$43,445,545 for Other Than Personal Services (OTPS), of which the City provided \$96,060,713—\$66,819,459 for PS expenses and \$29,241,254 for OTPS expenses.

**Results**

Of the nine recommendations made in the previous audit, the Library implemented six, partially implemented two, and did not implement one. It implemented the previous audit's recommendations to strengthen the approval process of purchases, to better segregate duties related to book sales revenue, to improve the management of fines and fees, to establish written computer inventory procedures, and to have better controls over the payroll distribution process.

However, weaknesses remained in computer inventory management, and new concerns were identified relative to purchasing practices and the accounting of book sales revenue. Specifically, the Library did not regularly update its computer inventory records nor did it properly record additions and deletions of computer equipment. In addition, the inventory tracking method used by the Library did not adequately identify the computer items listed on the inventory records. Concerning its purchasing practices, the Library had no written procedures for certain types of purchases, and did not consistently solicit a sufficient number of bids, properly approve invoices for payment, maintain adequate supporting documentation of its purchases, or pay vendor invoices on time. Neither did it adequately track its contracts or account for its book sales revenue.

The audit recommended, among other things, that the Library:

- Regularly update its computer inventory records to ensure that all its computer equipment is in the reported location and that additions and deletions of inventory are properly recorded, to include detailed information on how, when, and to whom computer equipment is relinquished.
- Comply with its existing bid solicitation procedures and consistently solicit the required number of bids.
- Ensure that its bid-solicitation procedures cover purchases of supplies costing more than \$5,000 and services other than building services.
- Ensure that all payments made without purchase orders are properly authorized with the required number of approval signatures.
- Establish a procedure to clarify which purchases need purchase orders and which do not.
- Sequentially number its contracts and ensure that they are properly recorded in the Systems, Applications, and Products in Data Processing System.
- Establish adequate controls so that book sales revenue and related expenses are properly supported and accounted for.

In its response, the Library agreed with 16 recommendations, disagreed with one, and stated that it would conduct assessments of the remaining three.

#### **Audit Follow-up**

The Queens Borough Public Library reported that seven recommendations have been implemented, that 12 recommendations are in the process of being implemented, and that it continues to disagree with one recommendation.

**RETIREMENT SYSTEMS**

Non-Pedagogical Pensioners of the New York City Department of Education Working for the City after Retirement January 1, 2006–December 31, 2006

Audit #FL08-106A

Comptroller's Audit Library #7871

Issued: June 30, 2008

Monetary Effect: Potential Savings: \$45,492

**Introduction**

This audit determined whether any New York City Department of Education (non-pedagogical) pensioners were reemployed by a City agency and illegally collected a pension from the New York City 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 New York City Charter §1117 during calendar year 2006.

**Results**

Five BERS retirees obtained \$45,492 in pension payments that appeared to violate applicable sections of State and City laws.

The report made four recommendations, specifically that BERS officials:

- Investigate any individual identified as receiving a pension while being reemployed in public service. BERS officials should also commence prompt recoupment action against this individual if 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 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 did not provide follow-up information.

**RETIREMENT SYSTEMS**

Pensioners of the New York City Fire Department Working for the City after Retirement, January 1, 2006–December 31, 2006

Audit #FL08-107A

Comptroller's Audit Library #7872

Issued: June 30, 2008

Monetary Effect: None

**Introduction**

This audit determined whether any New York City Fire Department pensioners were reemployed by a City agency and illegally collected a pension from the New York City 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 New York City Charter §1117 during calendar year 2006.

**Results**

The audit did not find any individuals who received pension payments during 2006 that appear to violate applicable sections of State and City laws. Consequently, the audit did not make any recommendations to FIRE officials.

**RETIREMENT SYSTEMS**

Pensioners of the New York City Police Department Working for the City after Retirement, January 1, 2006–December 31, 2006

Audit #FL08-108A

Comptroller's Audit Library #7873

Issued: June 30, 2008

Monetary Effect: Potential Savings: \$307,693

**Introduction**

This audit determined whether any New York City Police Department pensioners were reemployed by a City agency and illegally collected a pension from the New York City 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 New York City Charter §1117 during calendar year 2006.

**Results**

Twenty-nine POLICE retirees obtained \$307,693 in pension payments that appeared to violate applicable sections of State and City laws.

The report made four recommendations, specifically 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 it has investigated all members in question, and determined that seven retirees were in violation of Section 1117 and will commence recovery procedures in January 2009. The remainder of the recommendations are being implemented.

## **RETIREMENT SYSTEMS**

Pensioners of the New York City Employees’ Retirement System Working for the City after Retirement, January 1–December 31, 2006

Audit #FL08-109A

Comptroller’s Audit Library #7874

Issued: June 30, 2008

Monetary Effect: Potential Savings: \$25,657

### **Introduction**

This audit determined whether any New York City Employees’ Retirement System (NYCERS) pensioners were reemployed by a City agency and illegally collected a pension from 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 New York City Charter §1117 during calendar year 2006.

### **Results**

Five NYCERS retirees obtained \$25,657 in pension payments that appeared to violate applicable sections of State and City laws.

The report made four recommendations, specifically that NYCERS’ officials:

- Investigate those individuals identified as concurrently receiving a pension while being reemployed in public service. NYCERS officials should also commence prompt recoupment action against any individual who is found to be illegally collecting a pension.
- Forward to the Department of Investigation, if the circumstances warrant such action, the name of any individual 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 all recommendations have been implemented and all overpayments to pensioners found to be in violation have either been recouped or are in the process of being recouped.

## **RETIREMENT SYSTEMS**

Pedagogical Pensioners of the New York City Teachers’ Retirement System Working for the City after Retirement, January 1, 2006–December 31, 2006

Audit #FL08-110A

Comptroller’s Audit Library #7875

Issued: June 30, 2008

Monetary Effect: Potential Savings: \$215,134

### **Introduction**

This audit determined whether any New York City Teachers’ Retirement System (TRS) pensioners were reemployed by a City agency and illegally collected a pension from 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 New York City Charter §1117 during calendar year 2006.

### **Results**

Twenty-four TRS retirees obtained \$215,134 in pension payments that appeared to violate applicable sections of State and City laws.

The report made four recommendations, specifically 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 recommendations.

## **RETIREMENT SYSTEMS**

New York City Pensioners Working as Consultants for the City after Retirement, January 1, 2006–December 31, 2006

Audit #FL08-111A

Comptroller’s Audit Library #7876

Issued: June 30, 2008

Monetary Effect: Potential Savings: \$49,629

### **Introduction**

This audit determined whether any New York City pensioners returned to public service as consultants 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 New York City Charter §1117 during calendar year 2006.

### **Results**

Four New York City pensioners working as consultants for the City obtained \$49,629 in pension payments that appeared to violate applicable sections of State and City laws.

The report made four recommendations, specifically 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**

NYCERS reported that all recommendations have been implemented and all overpayments to pensioners found to be in violation have been recouped or are in the process of being recouped.

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

POLICE reported that the audit recommendations are being implemented.

## **RETIREMENT SYSTEMS**

NYC Pensioners Working for New York State After Their Retirement, January 1, 2006–December 31, 2006

Audit #FL08-112A

Comptroller’s Audit Library #7877

Issued: June 30, 2008

Monetary Effect: Potential Savings: \$356,458

### **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 New York City Charter §1117 during calendar year 2006.

### **Results**

Twenty New York City pensioners working for New York State obtained \$356,458 in pension payments that appeared to violate applicable sections of State and City laws.

The report made four recommendations, specifically 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**

NYCERS reported that all recommendations have been implemented and all overpayments to pensioners found to be in violation have been recouped or are in the process of being recouped.

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

POLICE reported that it has investigated all members in question, and determined that two retirees were in violation of Section 1117 and will commence recovery procedures in January 2009. The remaining three recommendations are being implemented.

**DEPARTMENT OF SANITATION**

Audit Report on the Development and Implementation of the Notice of Violation Administration System by the Department of Sanitation

Audit #7A08-056

Comptroller's Audit Library #7857

Issued: June 27, 2008

Monetary Effect: None

**Introduction**

The audit examined the development and implementation of the Notice of Violation Administrative System (NOVAS) by the Department of Sanitation (DSNY). DSNY promotes a healthy environment through the efficient management of solid waste. According to the City Charter, the Commissioner of DSNY may adopt and must enforce regulations regarding the collection of refuse and other material, including by issuing summonses for violations of regulations.

Previously, the summons-issuance process, from the issuance of paper summonses to the creation of management reports, was performed manually using paper. In 2004, DSNY contracted with ICICI InfoTech, Inc., to develop NOVAS, a computerized system that would streamline the entire process. The contract with ICICI InfoTech, Inc. was valued at approximately \$4.5 million.

In 2006 NOVAS became operational, which allowed the DSNY Enforcement Agents and Sanitation Police Officers to use portable handheld devices to issue summonses, replacing the manual writing of paper tickets. At the end of each workday, the information on the summonses stored in the handheld devices is downloaded into the NOVAS central server, batched, and sent to the Environmental Control Board (ECB) for adjudication. Audit fieldwork was conducted between August 2007 and February 2008.

**Results**

NOVAS became operational in 2006 and replaced the manual summons process, as required by the initial DSNY system requirements and goals in the system justification. The audit found that DSNY followed a formal system development methodology when developing the system and that the system design allows for future enhancements and upgrades. Also, DSNY has a network architecture configuration for NOVAS that was approved by DoITT. NOVAS complies with federal Electronic Signature and Records Act guidelines, and the handheld devices are physically secure when not in use.

However, the results of the audit's user surveys indicated that the users have problems or concerns that DSNY must address to improve the system's functionality and productivity. Also, data-integrity tests indicated that DSNY must address specific issues to improve the reliability of the system. Specifically, NOVAS has problems in data reliability, such as the presence of inaccurate dates, an indicator of weak edit checks, and some security weaknesses. DSNY does not require that users regularly change their passwords on both the handheld devices and the system. Also, the computer system does not restrict or control log-in access of inactive users. Finally, DSNY has not fully developed and tested the disaster-recovery plan of NOVAS.

The audit made eight recommendations, including that DSNY:

- Address the user concerns revealed in the user survey. In that regard, DSNY should consider improving the screens of the handheld device, adding additional space in the violation detail section, deleting unused items, adding additional menu options as well as correcting misspelled words in the drop-down section, and providing additional training to those users who reported that they had limited knowledge of the system.
- Correct the data fields noted as having incorrect information and create adequate input controls or adequate data validation checks to ensure that no further data entry errors are allowed.
- Correct the mandatory data fields noted that are blank and create edit checks to ensure that processing of data cannot be finalized until all mandatory fields are completed.
- Review NOVAS system tables, deleting any unused or unnecessary fields in a particular table, thus eliminating the possibility that inaccurate information is introduced into the system.

DSNY officials agreed with four recommendations, will take two recommendations “under advisement,” and disagreed with two recommendations.

#### **Audit Follow-up**

DSNY reported that three recommendations have been implemented, three are in process of implementation, one has been partially implemented. DSNY said it continues to disagree with the remaining recommendation to correct the data fields because the data was not found to be incorrect.

## **DEPARTMENT OF SANITATION**

Audit Report on Compliance with Comptroller’s Directive #7 by the Engineering Audit Office, Department of Sanitation

Audit #FR08-058A

Comptroller’s Audit Library #7855

Issued: 6/27/2008

Monetary Effect: Potential Revenue: \$122,077<sup>3</sup>

### **Introduction**

The Department of Sanitation (DSNY) engineering audit office—a part of the Bureau of Financial Management and Administration—is responsible for performing independent audits of capital payments for construction projects, design and construction management contracts,

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<sup>3</sup> Potential revenue consists of \$48,913 in questionable payments and \$73,164 in excess payments.

equipment purchases, and certain types of expense vouchers in accordance with Comptroller's Directive #7. The Directive "provides agency Engineering Audit Officers (EAO's) with guidelines for independently pre-auditing payment requests for a variety of construction and related consultant services contracts. EAO's have the important responsibility of insuring, prior to payment, that the City has received appropriate value under these contracts."

In Fiscal Year 2007, the year covered by the audit, the DSNY's engineering audit office approved for payment \$114,733,866 in vouchers for capital projects.

### **Results**

DSNY's engineering audit office did not fully comply with Comptroller's Directive #7 provisions regarding change-order work. The engineering audit office authorized for payment \$1,678,491 in vouchers associated with change orders not registered with the Comptroller's Office. In addition, the engineering audit office authorized for payment: vouchers that lacked substantiating documentation; vouchers whose amounts exceeded estimated costs; and vouchers whose associated change orders lacked a required certification of cost reasonableness.

DSNY's engineering audit office generally complied with the other major requirements of Comptroller's Directive #7 that pertain to auditing and authorizing the payments related to work originally specified under the construction and consultant contracts.

The audit made ten recommendations, including that DSNY:

- Cease its practice of authorizing change-order voucher payments for change orders that have not been registered, and ensure that all change orders are promptly registered with the Comptroller's Office.
- Immediately submit for registration the change orders cited in this report that are still not registered.
- Ensure that required documentation to substantiate time and material payments is included in the voucher documentation and reviewed accordingly by the engineering audit office.
- Obtain supporting documentation to properly review the voucher payments noted in this audit, and if required, make any adjustments to the voucher amounts paid to contractors.
- Ensure that the engineering audit office approves payments that are consistent with authorized change-order amounts.
- Recoup \$73,164 in payments to Dart Mechanical Corporation.
- Ensure that the engineering audit office complies with Directive #7 provisions for certifying change orders for cost reasonableness.

DSNY agreed with five recommendations, partially agreed with three recommendations, and disagreed with two recommendations.

### **Audit Follow-up**

DSNY reported that seven recommendations have been implemented, and two recommendations are in process of implementation.

DSNY disagreed with the remaining recommendation for certifying change orders for cost reasonableness. It stated that there are instances where it may not be necessary to prepare a separate cost estimate, if a cost estimate prepared by a construction manager is found reasonable.

## **DEPARTMENT OF SANITATION**

Audit Report on the Department of Sanitation Vacant Lot Clean-up Program

Audit #ME08-064A

Comptroller's Audit Library #7906

Issued: June 30, 2008

Monetary Effect: None

### **Introduction**

This audit determined whether the New York City Department of Sanitation (DSNY) adequately responded to complaints and work orders regarding unclean vacant lots.

Vacant lots are identified for cleaning through complaints from residents, Community Boards, and elected officials, as well as through the field observations of DSNY personnel. Under the Vacant Lot Clean-up Program, DSNY's Lot Cleaning Division (LCD) cuts weeds and removes debris and bulky items from City- and privately-owned vacant lots in the five boroughs. For Fiscal Year 2007, DSNY reported that it cleaned 6,191 vacant lots. Of these, 4,941 were City-owned and 1,250 were privately-owned.

### **Results**

The audit revealed that the DSNY Vacant Lot Clean-up Program had inadequate internal controls over the way it identified vacant lots for cleaning, processed complaints and work orders on vacant lots, and managed the cleaning of the lots. In terms of identifying lots for cleaning and managing cleaning operations, there was a lack of segregation of duties and a lack of proper supervision. Field supervisors had near-total control in determining whether a lot was clean or dirty and, if dirty, the resources that were to be used to clean it. As a result, LCD resources appear to have been used inefficiently. In addition, the inadequate internal controls increased the possibility that LCD resources could have been used for purposes contrary to their intended use.

In terms of LCD's processing of complaints and work orders on vacant lots, the audit found 1,800 cases that had been opened prior to July 1, 2007, and were still open as of November 2, 2007. These cases had been open in LCD's PowerBuilder system for an average of more than three years. The audit concluded that until recently LCD had not been effectively using its PowerBuilder system to track its aging cases. Furthermore, DSNY does not have written time standards for resolving complaints. For those lots that were cleaned in Fiscal Year 2007, it took LCD an average of 43 days to process and clean a vacant lot after the initial inspection to determine whether the lot needed cleaning. The average was better for complaints generated

through the City's 311 system. For those complaints, DSNY took an average of 35 days to clean a lot.

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

- Prepare and implement written procedures to ensure that field supervisors' functions and duties are properly segregated and supervised.
- Provide for independent verifications of field-supervisor-generated work orders by requiring photographs of all inspected lots for review by district superintendents or the Lot Inspection Unit (LIU).
- Ensure that district superintendents or LIU conduct sample inspections to verify the validity of field-generated work orders.
- Ensure that district superintendents review field supervisors' plans for assigning resources to clean specific lots.
- Require photographs be taken of cleaned lots for review by the district superintendent.
- Continue to expand use of PowerBuilder's tracking reports to identify aging cases.
- Continue to expand efforts to research aging cases to determine why they remain open and take the necessary actions to resolve them.
- Develop written time standards for handling vacant-lot complaints and field-generated work orders.

DSNY agreed or partially agreed with eight recommendations and stated that it would take one recommendation under advisement.

#### **Audit Follow-up**

DSNY reported that seven recommendations have been implemented and that the remaining two recommendations are in the process of being implemented.

## **THE OFFICE OF SPECIAL NARCOTICS**

Audit Report on the Financial and Operating Practices of the Office of Special Narcotics

Audit #FP07-074A

Comptroller's Audit Library #7820

Issued: January 7, 2008

Monetary Effect: None

### **Introduction**

This audit determined whether the Office of Special Narcotics (the Office) is complying with certain purchasing and inventory procedures and controls as set forth in the New York City Comptroller's Internal Control and Accountability Directives (Comptroller's Directives) #3, #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 Office generally adhered to Comptroller's Directives #3, #6, #24 and applicable Procurement Policy Board rules. In addition, a review of the Office's Other Than Personal Services expenditures disclosed no instances in which monies were improperly used. However, the Office did not fully comply with certain purchasing and inventory procedures. The Office:

- processed 18 of the 67 imprest fund purchases using the incorrect voucher type;
- processed six miscellaneous purchases using the incorrect voucher type;
- did not indicate the vehicle identification number of the City vehicle that was used on 6 of 38 personal expense forms, totaling \$556;
- split six imprest fund purchases for replenishment of the postage meter to circumvent the \$250 expenditure limit established in Comptroller's Directive #3; and
- did not always ensure that inventory records were complete and accurate.

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

- The imprest fund purchases are used for the purchase of supplies, materials, and small equipment. Other allowable imprest fund purchases include employee expenses for local transportation and out-of-town travel costs.
- The appropriate type of voucher is used to process its purchases.
- Employees include the vehicle identification number on the personal expense form when using a City-owned vehicle.
- All imprest fund expenditures comply with the provisions of Comptroller's Directive #3.
- Tag numbers are included for each item listed on the inventory list.

The Office agreed with the report's seven recommendations.

**Audit Follow-up**

The Office reported that the audit recommendations have been implemented.

## **SECTION II**

### **NON-GOVERNMENT AUDITS**



**CLAIMS**

During Fiscal year 2008, reports were issued on claims filed against the City. The analyses accepted amount for those claims totaled \$1,083,134. This resulted in a potential cost avoidance of \$26,122,278 as shown below:

Total Claim Amount	\$ 27,205,412
Less: Analyses Accepted Amount	\$ 1,083,134
Potential Cost Avoidance	\$ 26,122,278 *

\*Note: As stated, these cost-avoidance figures are only “potential.” They are based on results of analyses, and these 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 9 claims follows:

REPORT NUMBER	CLAIMANT	DATE ISSUED	CLAIM AMOUNT	ANALYSES ACCEPTED AMOUNT	DISPOSITION SETTLEMENT AMOUNT
FP06 – 126S	Claim Cal-Tran Associates, Inc.	07/31/07	*	*	*
FP07 – 108S	Claim Schiavone Construction Co., Inc.	09/11/07	*	*	*
FP07 – 130S	Claim YMS Management Associates, Inc.	09/21/07	*	*	*
FP07 – 120S	Claim National InStore Media	10/01/07	*	*	*
FP07 – 131S	Claim Alice’s Tea Cup	01/07/08	*	*	*
FP08 – 095S	Claim Visy Paper (NY), Inc.	02/04/08	*	*	*
FP08 – 089S	Claim Building Service International of NY, Inc.	03/20/08	*	*	*
FP08 – 116S	Claim Geneva Worldwide, Inc.	04/09/08	*	*	*
FP08 – 118S	Claim Verizon – New York, Inc.	04/15/08	*	*	*
	<b>FISCAL YEAR 2008 TOTALS</b>		<b>\$27,205,412</b>	<b>\$1,083,134</b>	<b>\$26,122,278</b>

**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 (DoITT), 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 2008 audits resulted in collecting actual revenues totaling \$14,497,022 and potential revenues totaling \$6,876,311. 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>
FM08-094A	7866	EDC-New York Skyports, Inc.	6/30/08	-0-	\$6,100,000
FN07-106A	7837	EDC-United Nations Development Corporation	5/29/08	\$ 12,012,050	-0-
FR08-065A	7841	EDC-Brooklyn Army Terminal	6/6/08	\$479,124	\$239,562
FN06-078A	7817	DoITT-RCN Telecom Services of New York, Inc.	11/5/07	\$1,784,594	-0-
FM06-116A	7810	Parks-Wollman Rink Operations LLC	07/5/07	\$159,252	\$16,594
FM07-095A	7858	Parks-Brooklyn Baseball Company, LLC	06/27/08	\$ 20,336	\$18,498
FM07-115A	7840	Parks-Merissa Restaurant Corporation	06/6/08	-0-	\$120,607
FM07-132A	7828	Parks - Circle Line-Statue of Liberty Ferry, Inc.	4/14/08	\$41,666	\$381,050
	<b>TOTAL</b>			<b>\$14,497,022.</b>	<b>\$6,876,311</b>

**ECONOMIC DEVELOPMENT CORPORATION**

Audit Report on the Compliance of New York Skyports, Inc., with its Lease Agreement

Audit #FM08-094A

Comptroller's Audit Library #7866

Issued: June 30, 2008

Monetary Effect: Potential Revenue: \$ 6.1 Million

**Introduction**

New York Skyports, Inc.'s (Skyports's) lease with the City permits Skyports to use the property along the East River between East 18<sup>th</sup> Street and East 23<sup>rd</sup> Street in Manhattan for a marina, a seaplane base, parking, mooring, fueling, and the servicing of motor vehicles, seaplanes, and watercraft. Skyport may also use the property for the sale of merchandise usually sold in connection with those services. The Department of Small Business Services (DSBS) manages the property on the City's behalf and the Economic Development Corporation (EDC) administers the terms of the agreement on behalf of DSBS.

The audit determined whether Skyports complied with certain terms of its lease with the City (i.e., rental payments, repair and maintenance of the facility, payment of revenue derived from the sale of goods, merchandise, and advertising on the premises, payment of utilities, and maintenance of insurance policies and a surety bond). The audit covered calendar years 2006 and 2007. During those years, Skyports paid the City a total of \$870,920 in base and supplemental rent.

**Results**

Skyports violated the terms of several major provisions in its lease with the City and may owe the City nearly \$6.1 million. Its general disregard for maintaining the premises endangered public safety and may cost the City in excess of \$5.5 million of the \$6.1 million to rectify conditions. Specifically, Skyports's lack of a maintenance program led to deterioration of the parking garage to the point that, according to a seven-day Notice to Cure filed by the DSBS against Skyports, "catastrophic failure was a present danger." As a result, emergency temporary shoring was installed by EDC to prevent the collapse of the garage. In addition, Skyports violated Article 34 of the lease by not reporting 50 percent of all gross revenue derived from the sale of goods, merchandise, and advertising on the premises, and by not obtaining the City's permission to allow Kalish and Kerner the right to make those sales. Moreover, Skyports did not pay water and sewer charges and did not increase its surety bond in accordance with increases in rent. Consequently, Skyports owes the City \$548,135—\$464,000 for emergency repairs performed by EDC, a minimum of \$46,614 for not paying 50 percent of the revenue derived from the sale of goods, merchandise, and advertising on the premises, and \$37,521 in water and sewer charges.

Moreover, EDC did not fully exercise its responsibility to ensure that Skyports complied with the terms and conditions of the lease. EDC's insufficient monitoring of the lease has contributed to the findings disclosed in this report.

The audit recommended that EDC consider terminating its lease with Skyports and continue to fully pursue legal action against Skyports to collect the \$6,056,653. In the event that EDC

decides not to terminate the lease, the audit made makes 13 recommendations—8 to EDC and 5 to Skyports, including the following.

EDC should:

- Coordinate with Skyports to develop a written plan to complete the necessary repairs of the garage structure, as recommended by the engineers in the April 7, 2008 report, and any other needed structural improvements to the premises.
- Ensure timely follow-up on all recommendations cited in independent contractors' and internal inspection reports and ensure that proper corrective action is taken.

Skyports should:

- Pay the \$548,135 due the City.
- Present EDC with a plan to make all necessary repairs to the premises as recommended by the engineers of the April 7, 2008 report and any other needed structural improvements to the premises. This plan should include project start dates, completion dates, and critical construction milestones (i.e., dredging, excavation, foundation, construction, etc.).
- Ensure that it obtains, on behalf of any sublessee, the City's written consent authorizing the sale of any goods, merchandise, and advertising on the premises and ensure that it or its sublessee submits complete documentation to EDC supporting such sales.

In its response EDC stated that it agrees with the recommendation that it continue to pursue legal action to enforce the terms of the lease and cure all outstanding defaults.

With the exception of the finding pertaining to Skyports's surety bond, Skyports's attorney generally disagreed with the findings and would not address the report's recommendations until the pending litigation is resolved.

#### **Audit Follow-up**

Skyport's attorney reported that Skyports is currently involved in discussions with the City and EDC in order to resolve the issues addressed in the audit report, and will submit a response after the discussions are concluded.

EDC reported that the Corporation Counsel is pursuing litigation to enforce the terms of the Lease and to cure all outstanding debts.

**ECONOMIC DEVELOPMENT CORPORATION**

Audit Report on the Compliance of the United Nations Development Corporation With Its Lease Agreement, January 1, 2005–December 31, 2006

Audit #FN07-106A

Comptroller's Audit Library #7837

Issued: May 29, 2008

Monetary Effect: Actual Revenue: \$12,012,050

**Introduction:**

The United Nations Development Corporation (UNDC) was established to provide office and residential space, and other facilities for United Nations personnel and foreign missions, as well as for other members of the international community. UNDC operates under two lease agreements (collectively referred to as the “lease agreement”) with the City Economic Development Corporation (EDC).

The lease requires UNDC to pay three separate rents to the City. One is paid annually, and the other two are paid quarterly. The annual payment, termed additional rent, is calculated based on 90 percent of UNDC's Consolidated Surplus. In addition, the lease agreement requires UNDC to maintain comprehensive general-liability insurance that names the City and EDC as additional insured parties; and requires UNDC to pay all water and sewer charges and electricity charges imposed on the properties.

The audit determined whether UNDC paid EDC all rent due the City in accordance with the provisions of the lease agreement and whether the payments were made on time; and whether UNDC complied with other major requirements of its agreement (i.e., maintaining required liability insurance and paying appropriate utility charges).

**Results**

The audit recommended that UNDC should remit to the City a total of \$12,012,050 in additional rent resulting from UNDC's retention of its consolidated surplus in connection with the suspended UN Consolidation Building Project. Otherwise, UNDC generally complied with the provisions of its lease agreement and maintained adequate internal controls over the recording and reporting of revenue and expenses. It reported revenue and expenses accurately, calculated the proper amounts of base rent and net annual rent due the City, and submitted its quarterly payments on time. UNDC also adhered to certain non-revenue-related requirements of the agreement, including maintaining the proper property and liability insurance; endorsing the City and EDC as additional insured parties; and paying electric and water and sewer charges.

The audit recommended that UNDC:

- Pay the City a total of \$12,012,050 in additional rent due as assessed by this audit. The UNDC Board in its March 28, 2008, meeting resolved to release \$6,006,063 in additional rent. Should this amount be remitted to the City, only a balance of \$6,005,987 will be due the City, as assessed by this audit.
- Maintain an updated status of the progress of the UN Consolidation Building Project.

The audit recommended that EDC:

- Ensure that UNDC pays the \$6,006,063 in additional rent due the City.
- Ensure that UNDC pays the balance in the consolidated surplus reserve of \$12,012,050 if the UN Consolidation Building Project is not built.
- Monitor the progress related to the UN Consolidation Building Project.

Subsequent to the submission of the preliminary draft audit report to UNDC officials, the UNDC Board of Directors approved a resolution to release a portion of the consolidated surplus reserve and paid the City 90 percent of that portion, or \$6,006,063, in additional rent due. UNDC now owes the City the balance of the \$12,012,050 assessed by this audit, or \$6,005,987.

Although UNDC agreed to pay \$6,006,063 from its reserved Consolidated Surplus, it took exception to certain aspects of the audit's findings as evidenced by its response to specific sections of the audit report.

EDC agreed with all of the report recommendations. In their response, EDC officials noted that UNDC had submitted a payment for \$6,006,063 in additional rent due the City, in connection with our audit assessment.

#### **Audit Follow-up**

EDC reported that the UNDC Board of Directors authorized the release of 90 per cent of the UNDC's surplus funds on December 16, 2008. As a result, UNDC will pay a total of \$9.9 million consisting of the outstanding balance of \$6,005,987 assessed during the audit period and the corresponding amount of the current year UNDC's surplus.

### **ECONOMIC DEVELOPMENT CORPORATION**

Audit Report on the New York City Economic Development Corporation's Compliance With Its Lease Agreement for the Brooklyn Army Terminal

Audit #FR08-065A

Comptroller's Audit Library #7841

Issued: 6/6/2008

Monetary Effect: Actual Revenue: \$479,124

Potential Revenue: \$239,562 annually for the term of the lease

#### **Introduction**

The audit determined whether the Economic Development Corporation (EDC) complied with the major terms of the Brooklyn Army Terminal (Terminal) lease agreement with the City; collected appropriate rents and fees from sub-tenants; and ensured that sub-tenants complied with major terms of their sub-lease agreements.

According to a lease agreement between the City and EDC to manage the 97-acre Terminal in Sunset Park, EDC is required to pay the City: an amount equal to 100 percent of net operating income; all proceeds received, less those used or to be used to restore the premises; and all other amounts which EDC is obligated to pay pursuant to the provisions of the lease. The lease permits EDC to enter into sub-leases in accordance with a City-approved sub-leasing plan. The lease also requires EDC to agree to pay, or to include in sub-leases to be paid by sub-tenants, charges for water, water meter, and sewer rents; real property assessments; excises; levies; and fines. In addition, the lease requires EDC to maintain a \$500,000 reserve fund, and to develop the Terminal in accordance with one or more development plans approved by the City.

EDC's certified financial statements for the year ended June 30, 2007, reported Terminal total operating revenues of \$18,777,935, total operating expenses of \$11,405,171, and operating income of \$7,372,764.

### **Results**

EDC did not comply with certain lease stipulations by not collecting appropriate rents and fees from all its sub-tenants, thereby resulting in lost rental fees totaling at least \$211,500. Moreover, EDC did not charge certain sub-tenants rents in accordance with market appraisals, again forgoing potential rental payments totaling almost \$300,000. Moreover, EDC did not itself pay the City for water and sewer use, nor did it charge sub-tenants for water and sewer use as part of their sub-leases. Furthermore, EDC did not maintain records to properly substantiate more than \$37,000 in employee expenses.

EDC ensured that sub-tenants complied with major terms of their lease agreements pertaining to paying rent on time, submitting required security deposits, and maintaining proper insurance coverage. In addition, EDC maintained separate books and records for the Terminal, maintained the required \$500,000 reserve fund, and developed the Terminal in accordance with an approved development plan.

The audit made ten recommendations, including that EDC:

- Arrange to collect fair market rental income from Turner Construction Company for space occupied at the Terminal.
- Cease its practice of providing rentable space at the Terminal to entities free of charge.
- Prepare a formal written agreement to document the terms by which the Mayor's Office is allowed to occupy space at the Terminal without paying rent.
- Ensure that rental rates are consistent with fair market appraisal values.
- Pay all required water and sewer charges.
- Ensure that it obtains billing statements from DEP in order to bill sub-tenants for water and sewer charges for Fiscal Year 2007 and for a four-year retroactive period.
- Remit 100 percent of the Terminal's net operating income to the City on a quarterly basis, in accordance with the lease agreement.

As a result of the audit, EDC was billed for \$479,124 in water and sewer charges that were in arrears. Furthermore, we estimate that for the remainder of the lease, EDC will be billed for water and sewer charges totaling \$239,562 annually.<sup>4</sup>

EDC officials agreed with seven recommendations and disagreed with three.

**Audit Follow-up**

EDC reported that it has either implemented or is in the process of implementing six recommendations and will implement the recommendation to record revenue obtained from Turner in the Terminal's financial statements, if it enters into an agreement with Turner. EDC, however, continues to disagree with the other three recommendations.

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<sup>4</sup> This is a conservative figure, as it does not account for any escalation in water and sewer rates

**NEW YORK CITY DEPARTMENT OF INFORMATION, TECHNOLOGY AND TELECOMMUNICATIONS**

Audit Report on the Compliance of RCN Telecom Services of New York, Inc., with Its Open Video and Franchise Agreements, January 1, 1999–December 31, 2005

Audit #FN06-078A

Comptroller's Audit Library #7817

Issued: November 5, 2007

Monetary Effect: Actual Revenue: \$1,784,594

**Introduction**

This audit determined whether RCN Telecom Services of New York, Inc. (RCN) accurately reported its total revenue, calculated and paid the appropriate fee amounts to the City, made the required payments on time, and complied with certain non-revenue-related requirements of its agreements (i.e., maintained the required insurance and security deposits, and made the required payments to the community access. The scope of this audit was calendar years 1999 through 2005 (January 1, 1999, through December 31, 2005).

RCN operates under two agreements with the City of New York through the Department of Information Technology and Telecommunications (DoITT), which is responsible for monitoring RCN's compliance with the terms of its agreements.

The first agreement, a ten-year Open Video System (OVS) agreement signed on December 29, 1997, permits RCN to construct and operate OVS communication services, including the operation of its microwave-satellite system within the City. The second agreement, a 15-year franchise agreement signed on January 5, 1999, grants RCN franchise rights for the occupation of City property in connection with the provision of its telecommunications services.

**Results**

The audit found that RCN complied with certain non-revenue-related requirements of its agreements with the City, such as maintaining the required \$50 million property and liability insurance that named the City as an additional insured party, paying the \$1 million in a security deposit, and remitting the required payments to the Community Access Organizations and to the City for education and government access and for subscriber services to government facilities.

However, RCN failed to report \$26,431,624 in revenue to the City for the period January 1, 1999, to December 31, 2005; it therefore owes the City an additional \$1,784,594 in fees and interest. Specifically, RCN did not report to the City any of the revenue generated from its microwave-satellite operations, advertising sales commissions, resale services, and other revenue categories required to be reported to the City under the OVS and franchise agreements. Moreover, RCN did not provide sufficient documentation that would allow auditors to ascertain whether its books and records accurately reflected the results of all its revenue-generating activities; and RCN did not provide its building-activity reports for calendar years 1999 and 2000 and October 2002. As a result, it was not possible to determine whether additional revenues should have been reported for those periods or whether additional fees are due the City.

The report also concluded that DoITT did not exercise the proper oversight in ensuring RCN's compliance with its agreements.

Based on the findings presented in the preliminary audit report, RCN remitted a check for \$1,286,637 representing a portion of the principal amount due the City. Therefore, after adjusting for the amount paid, RCN presently owes the City \$497,957 (\$1,784,594, minus \$1,286,637).

The audit made five recommendations to RCN including that it:

- Pay the remaining \$497,957 in late charges due the City.
- Report all its revenue to the City as required in its OVS and franchise agreements.

The audit made five recommendations to DoITT, including that it:

- Ensures that RCN pays the City \$497,597 in late charges and complies with the report's other recommendations.
- Establishes proper guidelines to monitor RCN's compliance with its City agreements.

In their responses, RCN officials and DoITT officials generally agreed with the audit report findings and recommendations.

#### **Audit Follow-up**

DoITT reported that the audit recommendations have either been implemented or are in the process of being implemented. RCN paid the balance of \$497,951 in late charges. It also agreed to pay \$376,218 in fees applicable to the years 1999-2000 in installments. RCN paid \$145,830 in January 2009, and the remainder will be paid in two installments of \$115,194 payable by January 2010 and January 2011.

RCN reported that all of the audit recommendations have been implemented.

**DEPARTMENT OF PARKS AND RECREATION**

Audit Report on the Compliance of Wollman Rink Operations LLC With Its License Agreement and Payment of License Fees Due

Audit #FM06-116A

Comptroller's Audit Library #7810

Issued: July 5, 2007

Monetary Effect: Actual Revenue: \$159,252

Potential Revenue: \$ 16,594

**Introduction**

The audit determined whether Wollman Rink Operations LLC (WRO) accurately reported all gross receipts derived from the operation of two ice-skating facilities in accordance with a lease agreement with the Department of Parks and Recreation (Parks), properly calculated 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., completing the required capital improvements, repairs, and maintenance; carrying the required insurance; maintaining the appropriate security deposit; and paying its utility charges).

The license agreement between WRO and Parks permits WRO to operate two ice-skating facilities in Central Park— Wollman and Lasker rinks—from November 1, 2001, to April 30, 2012. The agreement requires WRO to operate, maintain, and provide at each rink such services as ice-skating, rink-rentals, instruction, a pro shop, and food services. WRO is allowed to sublicense its food service operation and to sublicense Wollman rink for the operation of a children's amusement park during non-skating seasons. The audit covered the period November 1, 2004, to October 31, 2005.

**Results**

WRO paid its minimum annual fees on time, complied with the major non-revenue terms of its license agreement, and maintained the Wollman rink in accordance with specific terms of its license agreement. Parks issued a certificate of completion indicating that the Wollman rink capital improvements were completed in accordance with the agreement.

However, WRO does not have sufficient internal controls to ensure that all receipts are being recorded on its books and records and reported to the City. The audit found instances of unrecorded income and problems within WRO's accounting records. Specifically, WRO does not maintain the daily sales and receipt records as required by the agreement and does not maintain sufficient records to support reported revenue derived from its ice-rental and ice-hockey activities.

WRO also made some errors on the revenue reports it submitted to Parks. WRO underreported revenue associated with rink rental, hockey leagues, and lessons by \$106,608; and did not report several December 2004 transactions totaling \$20,473 relating to skating operations and \$25,106 in miscellaneous revenue. Moreover, WRO underreported the amount of food-service receipts it receives from its food service operator by \$29,751; and its method of accounting and reporting revenue from its food and beverage operator, children's amusement park sublicensee, and special events did not comply with the terms of the

agreement. As a result, WRO owes \$146,396 in additional license fees and \$50,634 in late charges.

In addition, significant delays in WRO's submissions of plans and in Parks's approvals resulted in several postponements of the renovation of the entry pavilion, stairs, and parapet wall at Lasker rink. Also, beginning in the fourth year of operation, WRO did not spend \$58,923 of the required \$150,000 to maintain the Lasker facility, nor did it operate a pro shop at either facility.

The audit made 17 recommendations—10 to WRO concerning the operation of Wollman and Lasker rinks and 7 to Parks concerning its oversight of this concession.

WRO agreed with certain aspects of the findings, but disagreed with the amount of the audit exceptions and assessment.

Parks stated that it issued a Notice to Cure requiring WRO to comply with the audit recommendations and that it expected WRO to remit a check for \$159,252 (\$74,546 in additional fees, \$25,783 in late charges and \$58,923 for unexpended maintenance costs). Parks referred the remaining balance of \$96,701 to the City's Law Department for resolution.

#### **Audit Follow-up**

Parks reported that it has collected \$100,329 in additional fees and late charges and \$58,923 for unexpected maintenance costs from WRO. Based on a determination from the Law Department, Parks has dismissed the finding relating to the \$42,000 in additional food-service fees and related late charges. Parks further determined that WRO owes an adjusted amount of \$16,594 plus late charges related to unreported revenue. Parks also reported that WRO completed the majority of capital work and submitted appropriate documentation. To date, the only remaining required capital improvement is the replacement of one light tower at the rink; it is scheduled to be installed by Spring 2009. In addition, Parks has requested documentation for WRO's maintenance expenditures.

### **DEPARTMENT OF PARKS AND RECREATION**

Audit Report on the Compliance of Brooklyn Baseball Company, L.L.C., with Its Lease Agreement, November 1, 2004–October 31, 2006

Audit # FM07-095A

Comptroller's Audit Library #7858

Issued: June 27, 2008

Monetary Effect:	Actual Revenue:	\$20,336
	Potential Revenue:	\$18,498

#### **Introduction**

The audit determined whether Brooklyn Baseball Company, L.L.C. (BBC), owner of the Brooklyn Cyclones, paid the City the rent due in accordance with the provisions of its lease agreement with the Department of Parks and Recreation (Parks), and whether the payments

were made on time; submitted the reports required under the lease agreement, maintained the required insurance, reimbursed the City for electricity use, paid the City for water and sewer use, and made the required capital sinking fund contributions; and implemented the recommendations made in a prior audit, *Audit Report on the Compliance of Brooklyn Baseball Company, L.L.C., (Brooklyn Cyclones) with Their Lease Agreement*, (Audit No. FM05-080A, issued January 27, 2006).

The lease agreement between BBC and Parks grants BBC the exclusive right to use KeySpan Park on Surf Avenue in Brooklyn. The lease requires that BBC pay rent to the City based on game attendance, team store rent, special-event net income, advertising, and Surf Avenue retail area. The lease also requires that BBC deposit \$27,670 each year into a sinking fund that permits Parks to perform capital work projects at the stadium.

### **Results**

For the audit period, November 1, 2004, through October 31, 2006, BBC maintained the required property and liability insurance that named the City as an additional insured party, contributed the required \$55,340 (\$27,670 each year) into a sinking fund, and submitted the required reports on time. In addition, BBC paid the amount required for water and sewer charges, and reimbursed the City for electricity use.

However, during lease year 2006, BBC underreported actual attendance to Parks by 28,031, resulting in additional rent due of \$83,009. Since BBC did not properly calculate actual attendance, its calculation of rent related to no-shows and use of the recreation area were likewise incorrect. As a result, BBC owes the City an additional \$6,874 for underreported no-shows and \$7,849 for its underreported use of the recreation area. Consequently, BBC underpaid the City \$97,732.

Moreover, BBC did not report \$67,786 of special-event net income to Parks, as required by its lease agreement. For 2005, BBC reported special-event net income of \$211,523. However, BBC's books and records indicated that actual special-event net income totaled \$279,309 for 2005. As a result, BBC owes the City an additional \$20,336 in shared special-event net income.

Through communications with Parks and BBC, auditors confirmed that only one of the prior report's three recommendations was implemented: BBC implemented an electronic ticketing system whereby the use of the malfunctioning ballpark turnstiles as a means of counting ticket-holders was rendered obsolete.

Regarding the two remaining recommendations, BBC has yet to pay the remaining \$9,064 in additional fees for special events occurring in the 2003 lease year and to comply with the recommendation to ensure that income and expenses are appropriately reported on the Statement of Special Event Net Income submitted to Parks. Since the balance due of \$9,064 from additional fees is still outstanding, BBC owes the City an additional \$2,560 in late charges, for a total of \$11,624.

To address these issues, the audit made seven recommendations. The four recommendations to BBC were:

- Pay the City \$129,692 in additional license fees and late charges.

- Include bleacher-seat attendees in its calculation of actual attendance and accurately calculate, in accordance with the terms of the lease agreement, base rent, no-shows, and the amount due for the use of recreation area in determining the rent due the City.
- Provide Parks with a Season Summary Game Attendance Report so that Parks can verify the payment of base rent, no-shows, and use of recreation area.
- Ensure that income and expenses are appropriately reported on the Statement of Special Event Net Income submitted to Parks.

The three recommendations to Parks were:

- Ensure that BBC pays the City \$129,692 in additional license fees and late charges.
- Request that BBC provides the Season Summary Game Attendance Report.
- Review the Season Summary Game Attendance Report to ensure that BBC continues to accurately calculate actual attendance, in accordance with the terms of the lease agreement, and pay the appropriate amount for base rent, no-shows, and use of recreation area.

In their response, BBC officials disputed the audit's interpretation of the lease regarding the calculation of actual attendance; stated that BBC would remit an additional \$20,336 to the City resulting from underreporting of special-event net income in 2005; and claimed that no further amounts are due from previous audits or for late-charge payments.

In their response, Park officials stated that they will issue a Notice To Cure to and will require BBC to pay the City \$20,336 for underreported special-event net income; direct its General Counsel to negotiate with BBC officials to resolve outstanding matters from the previous audit report; and refer to the Law Department the question of how bleacher seat attendees should be treated when calculating actual attendance.

#### **Audit Follow-up**

Parks reported that it received a check from BBC for \$20,336 in June 2008. In addition, Parks reported that the Law Department has determined that BBC should not include bleacher seats in its attendance calculation, and recommended that Parks seek \$6,874 attributable to underreported no-shows in the recreation area. Parks plans to pursue this payment and its General Counsel is still negotiating a settlement with BBC on the \$11,624 outstanding from a prior audit

**DEPARTMENT OF PARKS AND RECREATION**

Audit Report on the Compliance of Merissa Restaurant Corporation with Its License Agreement

Audit #FM07-115A

Comptroller's Audit Library #7840

Issued: June 6, 2008

Monetary Effect: Potential Revenue: \$120,607

**Introduction**

This audit determined whether Merissa Restaurant Corporation (Merissa) accurately reported its gross receipts, properly calculated the license fees due, paid its license fees on time, and complied with certain other major non-revenue terms (i.e., maintained the required security deposit; maintained the required insurance, and submitted the required reports) of its license agreement with the Department of Parks and Recreation (Parks) to operate and manage the Caffé-on-the Green restaurant in Bayside, Queens. The audit covered the operating years 2006 and 2007 (March 1, 2005, to February 28, 2007). During those years, Merissa reported \$9,785,410 in gross receipts and paid \$958,541 in license fees.

**Results**

Merissa paid its minimum annual fees on time, maintained the required liability insurance that named the City as additional insured party, maintained the required security deposit, and paid utility charges. However, significant weaknesses in Merissa's internal control procedures as well as a lack of supporting documentation prevented auditors from determining whether Merissa accurately reported all of its gross receipts from its restaurant and banquet operations and whether it paid the appropriate fees to the City. Specifically, Merissa:

- may have circumvented its point-of-sales system to misreport transactions;
- did not provide banquet event calendars for calendar years 2005 and 2006 to evidence that all events held were represented by a properly authorized and executed contract and that all banquet revenue was reported to Parks;
- did not maintain the point-of-sales system deletion reports for more than ten days, which would have maintained an audit trail and allowed the auditors to review whether any restaurant transactions were inappropriately deleted, thereby reducing the revenue reported to Parks; and
- could not provide a la carte party contracts to evidence that all a la carte parties were entered in the point-of-sales system. Merissa officials claimed that they discard these contracts a week after the events take place.

Taken as a whole, these weaknesses compromise the reliability of Merissa's reported gross receipts. However, based on the documentation provided, Merissa took \$900,182 in improper deductions from gross receipts resulting in \$120,607 in additional fees and related late charges due the City. Finally, Merissa did not submit its income and expense statements to Parks for operating years 2006 and 2007 within 30 days after the end of its operating year, as required.

Given the seriousness of the audit findings, the audit made nine recommendations. The seven recommendations to Merissa included the following:

- Pay the City \$120,607 in additional license fees and late charges.
- Take immediate actions to strengthen its internal controls, including but not limited to the following: install and maintain a reliable point-of-sales system; issue sequentially prenumbered a la carte contracts; and maintain all documentation, such as a la carte party contracts, original guest checks, deletion reports, and banquet event calendar (Banquet Function/Reservation book); record all banquet sales in the point-of-sales system; and maintain a daily cash or check log detailing the individual deposits received or gift certificate sales transaction, as well as a copy of the checks.
- Include in its monthly report of gross receipts submitted to Parks all payments (e.g., deposits and gift certificates) when they are received from patrons. Merissa should not wait until the date of the event to record the revenue received.

The two recommendations to Parks concerned increased oversight of the concession and to ensure that Parks collects all license fees due from Merissa.

Merissa officials disagreed with the audit's findings but agreed to implement most of the recommendations. Parks agreed with the findings and recommendations contained in the audit report and stated that it issued a Notice to Cure requiring Merissa to pay the full audit assessment of \$120,607 in additional license fees and late charges and that it will monitor Merissa's operations and periodically audit its financial records.

#### **Audit Follow-up**

Parks reported that Merissa is disputing that it owes the City additional fees and late charges. Parks and the Law Department are continuing with discussions on this issue. Parks also reported that Merissa has partially implemented two recommendations and has not implemented three recommendations; however, On April 30, 2008, the Supreme Court of the State of New York issued a judgment that Merissa's operations at Café Green would cease January 31, 2009.

**DEPARTMENT OF PARKS AND RECREATION**

Audit Report on the Compliance of Circle Line-Statue of Liberty Ferry, Inc., with Its License Agreement and Payment of License Fees Due

Audit #FM07-132A

Comptroller's Audit Library #7828

Issued: April 14, 2008

Monetary Effect: Actual Revenue: \$ 41,666

Potential Revenue: \$381,050

**Introduction**

The audit determined whether Circle Line-Statue of Liberty Ferry, Inc. (Circle Line) accurately reported its gross receipts, properly calculated license fees due the City, paid its license fees on time, and complied with certain major non-revenue terms (i.e., maintained the required security deposit, maintained the required insurance, and paid all taxes and submitted the required reports) of its license agreement with the Department of Parks and Recreation (Parks). The license agreement between Circle Line and Parks permits Circle Line to operate an excursion ferry service to Liberty Island and Ellis Island and other sightseeing cruises departing from Battery Park, Manhattan.

The audit covered the operating year 2007 (April 1, 2006, to March 31, 2007). However, we extended our testing to include operating years 2005 and 2006 (April 1, 2004, to March 31, 2006) to cover the period that Circle Line did not report handling fees associated with purchasing advance tickets to the City.

**Results**

Circle Line generally adhered to the provisions of its agreement. It paid its fees on time, maintained the required property and liability insurance, and contributed the \$50,000 as security deposit to the City.

However, Circle Line did not pay all required fees to the City. It owes \$14,517 in percentage fees for underreported gross receipts of \$200,233; \$102,124 in percentage fees for unreported handling fees (\$1.75 per ferry ticket) of \$1,408,601 associated with advance purchases made through the Internet or by telephone for operating years 2005 to 2007; \$432 in percentage fees for minor recording errors with a net dollar value of \$5,962; \$1,098 in percentage fees for a \$15,147 deduction to gross receipts without supporting documentation; and \$68,237 in late charges based on \$118,171 in additional fees due.

Also, Circle Line did not submit its 2005, 2006, or 2007 certified annual gross receipts statements to Parks in a timely manner. Moreover, Circle Line did not file commercial rent tax returns for tax years 2006 and 2007 and since tax year 2005 excluded the license fees paid to the City when calculating the tax due. Consequently, Circle Line may owe the City \$236,308 (exclusive of interest and penalties) in commercial rent tax.

As a result of the audit exceptions noted, Circle Line owes \$186,408 in additional license fees and late charges, and \$236,308 in commercial rent tax.

The audit recommended that Circle Line should:

- Pay \$186,408 in additional license fees and late charges to the City.
- Calculate and pay additional fees due that result from unreported handling fees for the period April 1, 2007, to December 31, 2007.
- Contact the Department of Finance (Finance) and seek a final determination with regards to the commercial rent tax and any interest and penalties due for tax years 2005 to 2007.

Parks should:

- Ensure that Circle Line pays the \$186,408 in additional license fees and late charges, and any additional fees that result from unreported handling fees covering the period April 1, 2007, to December 31, 2007. If the outstanding balance is not paid, Parks should use Circle Line's \$50,000 security deposit and seek legal action to recoup the difference.
- Coordinate efforts with Finance to pursue collection of commercial rent tax and any additional interest and penalties that Finance may assess.

Circle Line officials disagreed with most of our findings and recommendations.

Parks officials agreed with the findings and recommendations contained in the audit report, stated that it issued a Notice to Cure requiring that Circle Line pay the \$186,408 in additional license fees and late charges, and that it will follow up with Finance to ensure that Circle Line complies with Finance's commercial rent tax determination.

#### **Audit Follow-up**

Parks reported that to date, Circle Line has paid \$41,666 in additional license fees and late charges. However, of the remaining \$144,742 owed in license fees and late charges, Circle Line contends that it should be permitted to deduct \$47,000 due to taxes it never deducted from gross receipts between 2004 and 2007. The Law Department is in the process of reviewing this issue. In addition, the unreported handling fees are also being negotiated, and Parks stated that Finance decided to assess Circle Line the \$236,308 in commercial rent tax.

**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 2008, we disallowed \$365,429 in rental credits for insufficient documentation, ineligibility of expenses, and errors in calculations. The Yankees accepted \$365,429 of these disallowances.

Audit No.	Period Covered	Date Issued	Actual Revenue	Total
FR08-057A	4th Qtr. 2006	01/04/08	\$157,997	\$157,997
FR08-087A	1st Qtr. 2007	03/19/08	\$52,448	\$52,448
FR08-098A	2nd Qtr. 2007	05/21/08	\$ 81,146	\$81,146
FR08-114A	3rd Qtr. 2007	06/26/08	\$73,838	\$73,838
<b>TOTAL</b>			<b>\$365,429</b>	<b>\$365,429</b>

**WELFARE FUNDS**

Analysis of the Financial and Operating Practices of Union-Administered Benefit Funds Whose Fiscal Years Ended in Calendar Year 2005

Audit #FM07-067S

Comptroller's Audit Library #7818

Issued: December 28, 2007

Monetary Effect: None

**Introduction**

Union-administered benefit funds were established under collective-bargaining agreements between the unions and the City of New York. 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 97 welfare, retiree, and annuity funds whose fiscal years ended in calendar year 2005. These funds received approximately \$951.4 million in total City contributions for the fiscal year.

**Results**

This is the 26th 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 contained eight 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.

**Report Follow-Up**

Not Applicable

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