

# AUDIT REPORT



CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
BUREAU OF FINANCIAL AUDIT  
**WILLIAM C. THOMPSON, JR., COMPTROLLER**

## **Audit Report on the Administration of the WNYE-TV Fiduciary Account By the Department of Education**

*FM04-100A*

**June 21, 2004**



THE CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
1 CENTRE STREET  
NEW YORK, N.Y. 10007-2341

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WILLIAM C. THOMPSON, JR.  
COMPTROLLER

**To the Citizens of the City of New York**

Ladies and Gentlemen:

In accordance with the responsibilities of the Comptroller contained in Chapter 5, § 93, of the New York City Charter, my office has conducted an audit to determine whether WNYE-TV fiduciary funds are accurately accounted for and used for its operations by the Department of Education (DOE).

The results of our audit, which are presented in this report, have been discussed with DOE officials, and their comments have been considered in preparing this report.

Audits such as this provide a means of ensuring that City agencies have adequate controls over fiduciary accounts and that moneys in these accounts are used in accordance with applicable rules and regulations.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please contact my audit bureau at 212-669-3747 or e-mail us at [audit@Comptroller.nyc.gov](mailto:audit@Comptroller.nyc.gov).

Very truly yours,

A handwritten signature in cursive script that reads 'William C. Thompson, Jr.'.

William C. Thompson, Jr.  
WCT/gr

Report: FM04-100A  
Filed: June 21, 2004

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*The City of New York  
Office of the Comptroller  
Bureau of Financial Audit*

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**AUDIT REPORT IN BRIEF**

This audit determined whether the Department of Education (DOE) accurately accounts for the funds in the WNYE-TV fiduciary account and ensures that these funds are used for the operation of WNYE-TV.

Fiduciary accounts are used to record financial resources held and administered in trust by the City of New York, the principal and income of which benefit individuals, private organizations, or other non-City government entities. WNYE operates a public television station (Channel 25) and a public radio station (FM 91.5) owned by the New York City Department of Education (DOE), formerly the Board of Education. In 1998, at the request of the DOE, an interest-bearing fiduciary account—WNYE-TV Cablevision Agreement—was established through an agreement between WNYE-TV and CSC Holdings, Inc. (Cablevision). Under the agreement, WNYE-TV received a one-time payment of \$2.4 million in exchange for waiving its right to have WNYE-TV programming aired on certain Cablevision channels from July 1, 1998, through June 30, 2002.

As of June 30, 2002, \$2.9 million was on deposit in the WNYE-TV fiduciary account. On July 11, 2002, DOE transferred \$600,000 from the fiduciary account into WNYE-TV's operating account.

**Audit Findings and Conclusions**

DOE accurately accounts for WNYE-TV fiduciary funds and ensures that these funds are used for the operation of WNYE-TV, in accordance with the fiduciary agreement. Since the audit found that DOE complies with the fiduciary agreement, we make no recommendations in this report.

## INTRODUCTION

### Background

Fiduciary accounts are used to record financial resources held and administered in trust by the City of New York, the principal and income of which benefit individuals, private organizations, or other non-City government entities. The strictly custodial nature of these assets prohibits the use of fiduciary funds in the direct support of any of the City's own programs.<sup>1</sup> All expenditures from fiduciary accounts must comply with applicable federal, State, and City rules and regulations.

The New York City Comptroller's Office, in conjunction with the City's Office of Management and Budget, establishes fiduciary accounts at the request of various organizations, including City agencies and public benefit corporations. According to the Comptroller's Directive 27, "Resources of Fiduciary Accounts are generally under the custodianship of the New York City Office of the Comptroller. The accounts are maintained and controlled by the City agency that requests their establishment." Directive 27 also states, "The City agency will then be responsible for recording all cash receipts and disbursements in FMS [Financial Management System] as well as ensuring that all activity in the account is in compliance with the purpose for which it was created."

WNYE operates a public television station (Channel 25) and a public radio station (FM 91.5) owned by the New York City Department of Education (DOE), formerly the Board of Education. WNYE funds its operation through tax levy grants from the Corporation for Public Broadcasting, through non-commercial sponsorship of its programs by different community groups, and through the lease of station facilities.

In 1998, at the request of the DOE, an interest-bearing fiduciary account—WNYE-TV Cablevision Agreement—was established through an agreement between WNYE-TV and CSC Holdings, Inc. (Cablevision). Under the agreement, WNYE-TV received a one-time payment of \$2.4 million in exchange for waiving its right to have WNYE-TV programming aired on certain Cablevision channels from July 1, 1998, through June 30, 2002. The agreement gives Cablevision three one-year renewal options.

As of June 30, 2002, \$2.9 million was on deposit in the WNYE-TV fiduciary account. On July 11, 2002, DOE transferred \$600,000 from the fiduciary account into WNYE-TV's operating account.

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<sup>1</sup> City fiduciary accounts were formerly known as "trust and agency" accounts.

## **Objectives**

Our audit objectives were to determine whether DOE:

- accurately accounts for the fiduciary funds; and
- ensures the funds are used for the operation of the WNYE-TV.

## **Scope and Methodology**

The scope of this audit covered the period July 1, 2002, through June 30, 2003. We reviewed various financial information, which included DOE correspondence and FMS records pertaining to the WNYE-TV fiduciary account that was on file with the City Comptroller's Bureau of Accountancy.

To gain an understanding of the controls over the depositing and disbursing of fiduciary account funds, we interviewed WNYE and DOE Central Business Office officials. We documented our understanding of these controls in written narratives.

To determine whether the amount disbursed from the fiduciary account was recorded accurately, we traced the amount disbursed from the fiduciary account to FMS records and DOE cash receipt and deposit records. Since the funds transferred from the fiduciary account into the WNYE operating account were commingled with other WNYE funds, we were unable to pinpoint what the transferred funds were used for. Therefore, we selected a sample of all WNYE Other Than Personal Services (OTPS) expenses to determine whether disbursements were reasonable and necessary for the operation of the station.

Specifically, we randomly selected a sample of 50 of the 682 OTPS expenditures. These sampled items represented \$75,575 (6 percent) of WNYE OTPS expenses incurred during Fiscal Year 2003. The documentation reviewed for each sampled item included vouchers, invoices, and purchase orders. We also determined whether the respective goods and services were delivered and payments properly authorized. In addition, we judgmentally selected five additional vouchers that were in excess of \$10,000, representing another 10 percent of the total OTPS expenditures, and traced those expenditures to the supporting documents in the files.

The results of our tests, while not projectable to all WNYE expenses, provided us a reasonable basis to assess whether WNYE is spending its operating funds on reasonable and necessary items.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of records and other auditing procedures considered necessary. This audit was performed in accordance with the audit responsibilities of the City Comptroller, as set forth in Chapter 5, §93, of the New York City Charter.

## **Discussion of Audit Results**

The matters covered in this report were discussed with DOE officials during and at the conclusion of this audit. A preliminary draft report was sent to DOE officials on May 10, 2004. On May 17, 2004, we received written notice from DOE officials waiving their right to an exit conference. On May 20, 2004, we submitted a draft report to DOE officials with a request for comments. On June 7, 2004, DOE officials sent an email stating that “Since the report is positive and includes the alternate language we requested . . . we see no reason to officially respond to the report.”

## **FINDINGS**

DOE accurately accounts for WNYE-TV fiduciary funds and ensures that these funds are used for the operation of WNYE-TV, in accordance with the fiduciary agreement. Since the audit found that DOE complies with the fiduciary agreement, we make no recommendations in this report.