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**AUDIT: DISTRICT ATTORNEY SETTLEMENT FUNDS
NEED FORMAL POLICY, DISCLOSURE, CONTROLS
TO AVOID POTENTIAL FOR MISUSE**

NEW YORK, NY - The New York County District Attorney's Office (DANY) properly accounted for \$448 million in settlements derived since 2007 but needs transparency in and a formal policy on the distribution of the funds, according to an audit initiated under former Comptroller William C. Thompson, Jr. at the request of DANY and just completed by Comptroller John C. Liu.

"There is no good reason for any government entity -- including the District Attorney's Office -- to tread above scrutiny or have accounts that fly under the radar," Comptroller Liu said. "While it is good that all previous funds are now properly accounted for, it simply affirms that there was no misuse. A formal policy for future settlements will ensure consistency, and transparency through disclosure and proper controls will help avoid the potential for misuse."

The audit reviewed DANY's administration of deferred prosecution and non-prosecution settlements (alternatives to indictments such as monetary agreements in lieu of fine or forfeiture by corporations). The full audit report is available at http://www.comptroller.nyc.gov/bureaus/audit/audits_2010/03-24-10_FM10-111A.shtm.

Comptroller Liu credited Deputy Comptroller for Audit H. Tina Kim and her team in the Bureau of Financial Audit for presenting these findings and recommendations.

Chief among the findings:

- DANY received and properly accounted for all of the \$448 million in payments derived from prosecution and non-prosecution agreements since 2007.
- DANY does not have a formal policy for the distribution of settlements.
- DANY held approximately \$86 million in 58 private accounts that were not registered with the City (33 checking, 11 money markets, 14 CDs), and thus outside the City's fiscal controls.
- DANY was holding at least \$7 million off the State books for the NYS Police during the course of the audit, and may have held as much as \$21 million of NYS Police money since 1998.

- Distributions totaling \$815,324 made from one of the DA's escrow accounts were supported by only email correspondence, not court decree, at the time of processing.
- DANY does not adequately segregate the duties within its Fiscal Department, exposing a potential risk of possible error within the department.

The recommendations made by Comptroller Liu to DANY are:

- Upon the expiration of existing legislation (March 31, 2010) about the settlements, establish a formal policy for the distribution of settlement payments derived from deferred prosecution and non-prosecution agreements;
- Coordinate with the City Department of Finance and the Comptroller's Bureau of Accountancy to transfer the funds currently held in private accounts to the City's custody, establish Fiduciary Accounts where appropriate, and register any remaining accounts deemed confidential with the Comptroller's Office;
- Separate duties among personnel of the Fiscal Department to ensure no one person can both perpetrate and conceal errors or fraud;
- Ensure that proper documentation is submitted and reviewed by the Fiscal Department prior to the distribution of funds.

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