

**APPENDIX 1**  
**SELECTED DELOITTE & TOUCHE, LLP**  
**MANAGEMENT LETTER OBSERVATION AND RECOMMENDATION**

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**RECORDING OF CAPITAL ASSETS IN IMPROPER ACCOUNTING PERIOD**

*(Prior Year Comments Not Addressed – June 30, 2007)*

***Observation:***

Several instances were noted whereby capital assets were not recorded in the appropriate fiscal year.

***Background:***

The documentation surrounding these assets was not reviewed on a timely basis and therefore, these transactions were not recorded in the appropriate period.

***Recommendation:***

As capital asset transactions are initiated at the various agencies throughout The City of New York, a process should be developed to ensure the assets are being properly recorded.

***Status Update (2013):***

During the fiscal year 2013 audit, one selection was noted where an item from the current year building additions population was related to a capital asset that should have been reported as an addition in 1996. The asset had been misclassified as work-in-progress (“WIP”) and was not subject to depreciation. Management should develop a review procedure to analyze the WIP balance to identify any items that should be capitalized.

***Management’s Response (2013):***

Management will coordinate a comprehensive, analytical review of WIP, in conjunction with the agencies, in Spring 2014.