

**Report To
The Mayor and City Council on
City Comptroller Audit Operations
Fiscal Year 2002**

March 1, 2003

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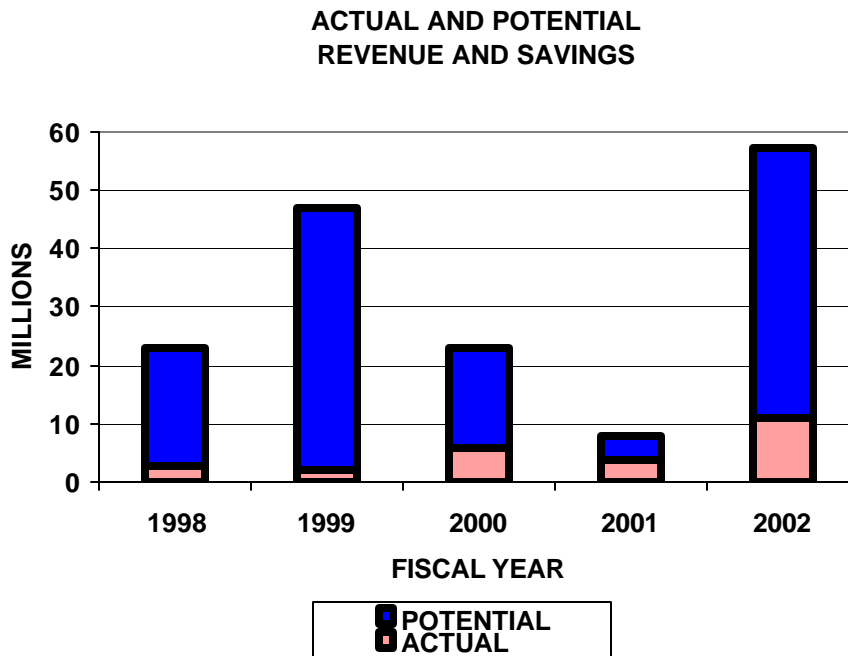
WILLIAM C. THOMPSON, JR.
COMPTROLLER

March 1, 2003

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

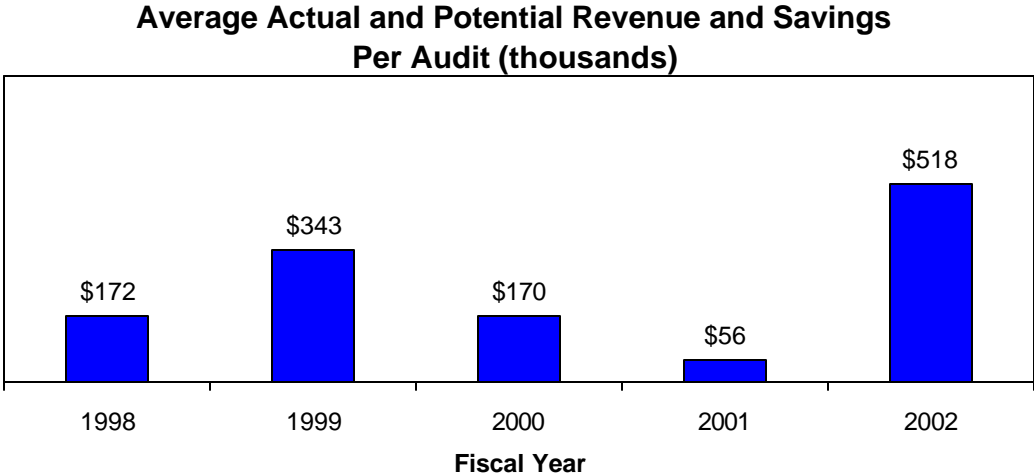
I am pleased to transmit the New York City Comptroller's Charter-mandated report on audit operations for Fiscal Year 2002. This report covers the first six months of my administration as well as the last six months of the prior administration and contains the major findings and recommendations of all audits issued by the Comptroller's audit bureaus.

The audit bureaus issued 126 audits and special reports during the fiscal year. We issued fewer audits this year than in the prior fiscal year, but the impact of this year's audits is far greater in savings and revenue identified and in improvements to service delivery. This was the result of a conscious effort on my part to change the way we do business by focusing on audit quality and comprehensive testing rather than on the number of audits issued. The following chart shows the actual and potential revenue and savings generated by the audit bureaus over the current and past four fiscal years.



New York City is expected to experience increasing budget shortfalls. Even after imposing property tax increases and accounting for the effects of proposed budget cuts, the City faces budget gaps ranging from about \$3.4 billion in Fiscal Year 2004 to \$4.5 billion in Fiscal Year 2006. Regardless of the City’s fiscal condition, the public will expect government to deliver high quality services.

In Fiscal Year 2002, my auditors identified more than \$11.1 million in actual revenue and savings and approximately \$45.6 million in potential revenue and savings. This represents a 164 percent increase in actual revenue and savings and a 1,163 percent increase in potential revenue and savings from the prior year. Moreover, the average actual and potential revenue and savings per audit has increased dramatically in Fiscal Year 2002, as shown in the following chart:



My audits covered a myriad of topics including revenue identification and collection, services to senior citizens and to children, transitional housing for families displaced by fires or unsafe conditions, and transportation services for the disabled, to name just a few. I have concentrated my audit resources on both financial matters and service delivery, since both play significant roles in ensuring the quality of City services.

The three audits that generated the most revenue were audits of: Time Warner Cable of New York City; the New York Yankees lease agreement; and Toto’s South Shore Country Club, Ltd. Brief discussions of these audits follow:

- The Time Warner Cable audits resulted in actual revenue of \$7,677,521. Under its seven franchise agreements, Time Warner is obligated to pay the City five percent of its gross revenue. Time Warner paid the full audit assessment.

- The New York Yankees lease agreement audit determined that the Yankees underreported revenue by \$1,394,110 and overstated the credits they were entitled to take against revenue by \$2,502,968. This resulted in the Yankees' owing the City \$367,321, which they paid.
- The Toto's audit disclosed that it failed to report approximately \$1.8 million in revenues to the Department of Parks and Recreation. Consequently, Toto's owed the City \$256,872 in fees, which it agreed to pay.

The three audits that generated the most potential revenue and savings were audits of: the Department of Finance's collection of Environmental Control Board penalties; the Police Department's civilianization efforts; and Shellbank Restaurant Corp. They are summarized as follows:

- The Department of Finance could have collected at least \$26.2 million had efforts to collect Environmental Control Board penalties been increased. This audit led to the recommendation for an amnesty program by the Comptroller and the City Council.
- The Police Department can save \$15.2 million annually by civilianizing 831 non-enforcement positions in the Department's administrative units.
- The audit of Shellbank Restaurant Corp. revealed that it and TAM Restaurants, Inc. (TAM), its parent company, owe the City \$615,586 in license fees, late charges, water and sewer fees, and commercial rent tax. The Department of Parks and Recreation, the oversight agency for the Shellbank agreement, issued a "Notice to Cure" requiring that Shellbank pay the full audit assessment, including the amount owed by TAM.

The three audits with the most significant issues pertaining to service delivery were the audits of: the Center for Animal Care and Control (CACC); the Amboy Neighborhood Center, Inc.; and the monitoring of senior centers by the Department for the Aging (DFTA), as follows:

- The CACC audit disclosed that it failed to provide humane treatment to all of its animals, and allowed dogs and cats to be accidentally and needlessly euthanized. Specifically, animals were often left in soiled cages and without water, and sick and contagious animals were housed with healthy ones. The full extent of CACC's problems could not be determined because of CACC's obstructive tactics and resistance to sharing its records with the auditors. The Director of CACC left the agency following the audit and the City Administration began a new program for animal adoption.
- The Amboy audit found unsafe and unsanitary conditions at the temporary housing facility that it operated. These conditions included roach and fly infestation, clogged and leaking sinks and bathtubs, and water damage to ceilings and walls. In addition, many of the residents complained that their

apartments were infested with mice and rats. Moreover, Amboy owed the City \$417,571 for its water and sewer use. The Department of Housing Preservation and Development, the oversight agency, did not renew Amboy's contract.

- The DFTA audit revealed that many of the senior centers inspected by the auditors had fire safety problems, including blocked exit doors, no smoke detectors, and inadequate evacuation plans. DFTA generally agreed with the audit's recommendations to correct the problems.

Given the significant taxpayer dollars spent on information technology and the increased reliance of City agencies on computer systems, I have dedicated a portion of my audit resources to audits of the system development projects of various City agencies. Many of these audits identified excessive cost overruns, missed deadlines, and systems that simply did not meet agency needs.

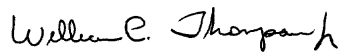
The three audits that identified the most significant system development problems were those that examined the Comprehensive Justice Information System and the Police Department's Enhanced 911 system and its upgrade of the AutoPound system. Brief descriptions of these audits follow:

- The Comprehensive Justice Information System (CJIS) audit disclosed that: duplicate records caused by poor data conversion and insufficient testing were not eliminated; a project team was not assembled to ensure that all system requirements were identified and implemented; and the system did not have all of the data fields required to generate reports for the agencies that use the system. The system, which cost \$1.3 million, was installed in October 1999 to provide the City's juvenile justice agencies with a mechanism to track the status of juveniles who enter the court system. The City has decided to replace the system.
- The Enhanced 911 audit noted that the Computer-Aided Dispatch (CAD) support system was slated for implementation in late 1997 but is still not complete. Consequently, wireless interfaces to police car mobile data terminals, which require that the CAD system be operational, were not installed. As a result of CAD's not being implemented, the Department is still relying on the old 911 dispatch system. The audit noted that \$115 million was spent on the Enhanced 911 system as of July 2001.
- The audit of the upgrade to AutoPound disclosed that the system, which cost approximately \$250,000, met user needs and that users were generally satisfied with the system. The Police Department's Property Clerk Division uses the system to accept, catalog, safeguard, store, and produce for the court, property that is in the custody of the Department. However, the methodology used by the Department for the upgrade did not ensure that all system requirements were developed. In addition, users had problems accessing the system and entering data, and complained about the system's slow response

time. Finally, the Department did not remove inactive users from the system, and it did not have a complete, formally approved Disaster Recovery Plan for the system.

As Comptroller, I will ensure that this office continues to deliver on my commitment to be a fiscal activist dedicated to finding ways to enhance revenue, identify waste and abuse, and improve agency operations. To that end, for Fiscal Year 2003, I directed my audit staff to identify audit areas that significantly impact City finances and service delivery by performing an extensive assessment of City revenues, expenditures, and programs. This assessment provided the basis for a comprehensive audit plan that focuses on the effectiveness and efficiency of City services, the controls over City resources and expenditures, and the quality of the services provided to the public.

Very truly yours,

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

William C. Thompson, Jr.

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SUMMARY OF AUDIT RESULTS

Actual savings and revenues identified in Fiscal Year 2002 totaled \$ 11.1 million.

Potential cost avoidance, savings and revenues identified in Fiscal Year 2002 totaled \$ 73.5 million. It should be noted that these are estimates of what could be achieved if all of the audit recommendations are implemented. Of this \$ 73.5 million:

- \$ 45.6 million represents potential cost savings or revenues from a variety of management and financial audit findings.
- \$ 27.9 represents potential cost avoidance resulting from audits of claims totaling \$ 32 million.

The Comptroller's Bureau of Management Audit, Bureau of Financial Audit, and Bureau of Engineering issued 126 audits and special studies in Fiscal Year 2002. Audits of managerial lump sums and welfare fund payments, were also performed.

This report is divided into two sections: one for audits and studies of City agencies and public authorities, and one for audits and studies of 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 (described in the "Update" section of each audit summary) was provided by the various agencies 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 FOR FISCAL YEAR 2002

<u>AUDIT TYPE</u>	<u>FISCAL YEAR 2002 NUMBER OF REPORTS</u>	<u>FISCAL YEAR 2002 ACTUAL SAVINGS/REVENUE</u>	<u>FISCAL YEAR 2002 POTENTIAL SAVINGS/REVENUE(1)</u>	<u>FISCAL YEAR 2002 POTENTIAL COST AVOIDANCE</u>	<u>TOTAL</u>
Government Agencies					
Audits	87	\$716,312	\$43,624,840	\$0	\$44,341,152
Managerial Lump Sum Reviews	NA	\$544,244	\$0	\$0	\$544,244
High Risk Voucher Reviews	NA	\$775,490	\$1,176,059	\$0	\$1,951,549
Total Government Agencies	87	\$2,036,046	\$44,800,899	\$0	\$46,836,945
Non-Government Agencies	39	\$9,092,099	\$867,292	\$27,875,209	\$37,834,600
Grand Total Government and Non-Government Agencies	126	\$11,128,145	\$45,668,191	\$27,875,209	\$84,671,545

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

SECTION I
GOVERNMENT AGENCIES

OFFICE OF ADMINISTRATIVE TRIALS AND HEARINGS (OATH)

Audit Report on the Timekeeping, Payroll, and Purchasing Operations Of the Office of Administrative Trials and Hearings July 1, 1999, through June 30, 2000

Audit # FM02-075A

Comptroller's Audit Library # 7363

Issued: June 5, 2002

Monetary Effect: None

Introduction

This audit determined whether the Office of Administrative Trials and Hearings (OATH) complied with applicable City payroll, timekeeping, and purchasing procedures. The audit covered the period from July 1, 1999, to June 30, 2000.

OATH is authorized under Chapter 45A, § 1048, of the New York City Charter to independently conduct administrative hearings for mayoral agencies, non-mayoral agencies, boards, and commissions of the City. OATH hears cases regarding: disciplinary and disability matters; licensing and regulatory enforcement proceedings; real estate and land use issues; and contract and discrimination complaints.

Results

OATH complied with all applicable Comptroller's Directives and Procurement Policy Board Rules, as well as with the City's Payroll Management System procedures and the City Charter. However, there were two minor weaknesses in OATH's cash receipts and purchasing practices. OATH collects fees for copies of official case documents and copies of the OATH Rules of Practice and issues receipts for the fees collected. OATH retains copies of receipts issued, but does not pre-number the receipts. Further, OATH does not maintain a log of the fees collected to ensure that all fees are deposited. In addition, OATH charged seven of 20 purchases reviewed to incorrect object codes. The use of the correct object codes is important because it allows the agency to categorize the type and amount of a particular expense item within a fiscal year.

The audit recommended that OATH issue pre-numbered receipts when collecting fees; maintain a log of the fees collected; and ensure that purchases are charged to correct object codes.

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

Update

OATH reported that it has implemented all of the audit's recommendations.

DEPARTMENT FOR THE AGING (DFTA)

Audit Report on the Department for the Aging Home Energy Assistance Program (HEAP)

Audit # MD01-192A

Comptroller's Audit Library # 7348

Issued: April 29, 2002

Monetary Effect: None

Introduction

This audit determined whether the Department for the Aging has adequate operating controls for processing its Home Energy Assistance Program (HEAP) applications.

The Department for the Aging (DFTA) is responsible for serving the needs of the City's elderly population. It promotes, administers, and coordinates programs and services that enable elderly individuals to maintain or improve their quality of life. DFTA is funded by City, state, and federal agencies, and through private grants and contributions. HEAP is one of DFTA's federally funded benefit programs. HEAP is a state-supervised program that assists eligible low-income households in meeting home energy costs. There are two types of HEAP grants. "Non-heater grants" are for individuals who do not pay for their heating costs. Those grants are for either \$40 or \$50 per year, to cover electric and gas costs. "Heater grants" are for persons responsible for direct payment of their heating costs. Those grants are for as much as \$400 per year, depending on heating costs and income.

HEAP grants were paid from November 2000 through May 2001. During that period, DFTA processed more than 27,000 applications and approved an estimated 21,000 for payment. This resulted in the distribution of approximately \$2.6 million in energy-assistance grants.

Results

DFTA HEAP applications were generally processed in conformance with its policies and procedures. However, our examination disclosed certain weaknesses in DFTA's HEAP operations, specifically: four (13%) of 32 applications that were denied but later approved were not properly recorded in DFTA's computer system. For ten (33%) of our sampled 30 "denied applications," denials were not processed within the required HEAP timeframe.

- For 13 (16%) of our 80 sampled applications, the required supervisory or Quality Control Unit sign-off signatures were lacking.
- For eight (62%) of 13 applications that were missing required information or documentation, there was no record on Resolution Worksheets that telephone calls were made by DFTA workers requesting the information before a Mail-In Verification letter was sent.

The audit made four recommendations to DFTA officials. The most significant of which are that DFTA should:

- Ensure that applications with overturned denials are correctly recorded in the DFTA and HRA computer systems and processed for payment in a timely manner.
- Ensure that denials are processed in a timely manner.

DFTA officials agreed with one recommendation, partially agreed with one recommendation, and stated that the two other recommendations were already in practice.

Update

DFTA reported that as of October 1, 2002, DFTA's HEAP operation has been restructured. New applications are now being certified at HRA. DFTA will no longer make decisions on eligibility or send notifications to applicants. Instead, DFTA's focus will be on outreach, application assistance, conferences and hearings, and training.

DEPARTMENT FOR THE AGING (DFTA)

Audit Report on the Monitoring of Senior Citizen Center Conditions by the Department for the Aging

Audit # MG01-194A

Comptroller's Audit Library # 7416

Issued: June 28, 2002

Monetary Effect: None

Introduction

The Department for the Aging (DFTA) plans, administers, and coordinates a broad range of services that help many of the 1.3 million senior citizens in the City participate in their communities and maintain their independence. DFTA provides these services directly and through contracts with community-based organizations.

DFTA has contracts with 338 senior citizen centers in the City to provide services to the elderly. These centers are located in City-owned and City-leased facilities, sponsor-owned and sponsor-leased buildings, and New York City Housing Authority developments.

DFTA conducts one formal survey and assessment of each senior citizen center every year. While most of this survey relates to each center's social and nutritional programs, the survey also addresses facility maintenance. In addition to notifying each center about problems that must be corrected, DFTA program officers are required to notify the DFTA Facilities Management unit when they identify a center that needs renovations. Facilities Management staff do not routinely visit centers to determine the need for renovations, but primarily rely on program officers and others outside DFTA to bring centers requiring renovations to their attention.

This audit reviewed the effectiveness of DFTA's efforts to ensure the proper maintenance of its senior citizen centers in terms of the centers' safety, cleanliness, physical condition, and accessibility. As part of this review, auditors visited 39 senior centers in the City and evaluated, from a generalist's perspective, each center's safety, cleanliness, physical condition, and accessibility.

Results

The audit concluded that DFTA needs to improve its efforts to review the safety, cleanliness, physical condition, and accessibility of its centers.

Most of the visited centers were clean and in decent physical condition, and several of the centers were accessible to the handicapped. However, there were fire safety problems at many of the visited centers, and there were cleanliness, physical condition, and accessibility issues at some of them.

The fire safety problems discovered at many of the 39 centers related to the need for evacuation plans and diagrams, fire drills, fire safety system inspections, smoke detectors, illuminated exit signs, and clear exit passageways.

Most of the 39 centers were clean and in reasonable physical condition. However, two centers had unsanitary kitchen conditions and one center had unsanitary bathroom conditions. In addition, several of the centers had missing ceiling tiles, ceilings and walls needing to be painted or wallpapered, cracked windows, or floors or steps requiring repair.

In reviewing DFTA survey assessment reports on these 39 centers, the audit concluded that most of its fire safety and physical condition concerns, and some of its cleanliness and accessibility concerns had not been noted by DFTA.

The audit also reported that DFTA's Program Assessment System does not permit a continuous monitoring of outstanding deficiencies at the City's senior centers once a new assessment year begins, and that four community districts in the City lack a senior citizen center that complies with the Americans with Disabilities (ADA) Act guidelines.

The audit made 16 recommendations including that DFTA ensure that all senior citizen centers resolve the noted safety, cleanliness, physical condition, and accessibility problems; that DFTA enhance its survey efforts in these areas; that DFTA modify its Program Assessment System to allow for the continued monitoring of outstanding deficiencies; and that DFTA ensure that each community district have at least one ADA-compliant senior citizen center.

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

Update

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

For example, DFTA stated that:

- Centers cited in the audit report have been checked by DFTA staff. Most of the centers now have appropriate written evacuation procedures, with diagrams, posted within the centers. DFTA will revise its requirements so that all centers follow these procedures.
- It will revise its requirements on the testing of senior centers' emergency safety systems.
- Most of the safety problems noted in the audit have been corrected. The rest are in progress.
- Its staff continues to check the cleanliness of each center visited.

- It is initiating architectural designs for ADA projects in Bronx Community District 2 and Manhattan Community District 4.

DEPARTMENT OF BUILDINGS (DOB)

Audit Report on the Department Of Buildings Data Center

Audit # 7A02-062

Comptroller's Audit Library # 7339

Issued: April 2, 2002

Monetary Effect: None

Introduction

The Department of Buildings (DOB) oversees building construction and alteration in New York City. The agency also enforces building and electrical codes, zoning resolutions, the New York State multiple dwelling law, and energy, safety, labor, and other laws related to construction activity. DOB inspects construction and electrical, plumbing, and elevator installations.

DOB uses mainframe computers to provide information on permits, violations, complaints, ownership, and geographical and landmark data. The agency also uses personal computers (PCs), which give access to its Local Area Network and Wide Area Network (LAN/WAN). DOB's Information Technology (IT) department is responsible for developing and supporting application software and for operating the Data Center.

The audit objectives were:

- To review the adequacy of the Data Center's physical and system security.
- To determine whether computer operations and contingency plans are adequate and have been tested in compliance with the standards in Comptroller's Directive 18 (Directive 18) and the Federal Information Processing Standards (FIPS).

Results

DOB's Data Center is not in compliance with certain physical security requirements of Comptroller's Directive 18 and of Federal Information Processing Standards. Specifically, the Data Center is not monitored on a 24-hour basis, smoke detectors and a fire extinguishing system have not been installed, and the Data Center is not adequately protected from a loss of power. Moreover, DOB has no automated time-out feature installed on its network. The log-in access of 117 inactive employees has not been disabled, and 18 former employees' mainframe accounts have not been deleted. Also, DOB has not established formal procedures to document, review, and follow up network-security access violations. DOB has no written policies in place to ensure that only appropriate and authorized changes are made to its application and system software. Finally, DOB still has not completed its disaster recovery plan and had it formally approved by DOB management and periodically tested.

This audit made 13 recommendations. The major recommendations were that DOB should:

- Install an emergency cut-off switch to shut down power in the event of an emergency.

- Install a backup generator at the Data Center.
- Install an automatic time-out function on its network to lock workstations after a specified period of inactivity on the system.
- Have its Personnel Department immediately advise IT of those employees leaving or terminated from the agency. IT should then promptly delete these accounts.
- Identify and terminate inactive user accounts.
- Complete and formally approve its *Network Disaster Recovery Plan*. Once the Plan is completed and approved, DOB should periodically test it and document the test results to ensure that the plan functions as intended, and is adequate to quickly resume computer operations without material loss of data.
- Secure an alternative-processing site for resuming computer operations in the event of a disaster.

In its response, DOB generally agreed with the audit's findings and recommendations.

Update

DOB reported that it has implemented the following five recommendations:

- The Data Center now has a sprinkler system.
- There is an emergency cut-off switch in place to shut down power in case of an emergency.
- The IT network and security staff are notified of DOB employees who leave or are terminated.
- Inactive user accounts are identified and terminated.
- All Help Desk requests and changes are logged into an Access Database and tracked.

DOB disagreed with the recommendation to install a back-up generator because the Data Center has a Universal Power Supply system in place. However, DOB will implement the remaining seven recommendations by the end of Fiscal Year 2003.

DEPARTMENT OF BUILDINGS (DOB)

Audit Report on the New York City Department of Buildings' Internal Control over Cash Receipts

Audit # MJ02-111A

Comptroller's Audit Library # 7318

Issued: December 6, 2001

Monetary Effect: Unable to determine

Introduction

This audit determined whether the seven cash-collection offices of the New York City Department of Buildings (DOB) have effective internal controls over their cash receipts. A report on the preliminary findings on cash receipts received through the mail by the DOB Central Office and its Bureau of Electrical Controls (BEC) (audit #MJ01-148A) was issued May 21, 2001. The scope of this current audit covered Fiscal Years 2001 and 2002.

DOB oversees building construction and alterations and enforces the Building and Electrical Codes, the Zoning Resolution, and other laws related to construction activity. One aspect of DOB's functions involves collecting revenue from permits, licenses, and fines. DOB has seven cash collection offices—one at the Executive (Central) office, one at BEC, and one in each of the five boroughs. During Fiscal Years 1999 and 2000, respectively, DOB collected approximately \$71.2 million and \$73.7 million in revenue.

Results

DOB generally complied with Comptroller's Directives and DOB Administration Policy and Procedure Notices. Results of tests of the department's seven offices gave reasonable assurance that DOB has adequate control over its cash receipts at the Central Office and at the Manhattan and Brooklyn Borough Offices. All cash receipts were accounted for and deposited on a timely basis at all seven offices.

However, there were weaknesses at BEC and at the Queens, Bronx, and Staten Island Borough Offices. BEC cashiers did not lock the cashier's drawer when they left the cashiers' area. The Queens Borough Office did not immediately use the restrictive endorsement stamp as required by DOB policy. Moreover, the Bronx Borough Office and BEC inappropriately stored manual receipts, and the Staten Island Office did not use prenumbered receipts, as required. These weaknesses in DOB's internal controls, if not corrected, pose a potential risk of theft.

The report made six recommendations to DOB, some of which are listed below. DOB should:

- Ensure that manual receipt books are stored in a locked safe or cabinet at all times, separate from office supplies.

- Ensure that all doors to the cashiers' offices are kept closed and locked at all times, restricting access to authorized personnel.
- Ensure that cash receipts are secured in a locked drawer or safe when cashiers leave their stations for any length of time.

DOB generally agreed with the report's recommendations.

Update

DOB reported that it has implemented four of the audit recommendations and is in the process of implementing two recommendations, as follows:

- DOB ordered and received additional endorsement stamps, which were distributed to all collection centers.
- A copy of the Findings and Recommendations were distributed to each Borough Manager. The Borough Managers have been reminded to keep manual receipt books in a locked safe or cabinet at all times.
- Pre-numbered manual receipts were sent to the Staten Island Office. All collection centers were reminded to contact the Fiscal/Revenue Unit to order more receipts.
- As of November 2002, all cash receipts were locked in the safe overnight and in cash drawers during business hours. The cash drawers are locked during the day.

DOB has requested that DCAS improve ventilation and possibly replace the door at the cashier's office in the Bureau of Electrical Control so that the door can be closed at all times. In addition, DCAS has a work order to reduce the size of the cashier's window at the Bureau of Electrical Control.

DEPARTMENT OF BUSINESS SERVICES (DBS)

Audit on the Financial and Operating Practices of the Columbus/Amsterdam Business Improvement District

Audit # MD02-058A

Comptroller's Audit Library # 7340

Issued: April 15, 2002

Monetary Effect: None

Introduction

This audit determined whether the Columbus/Amsterdam Business Improvement District (BID) complied with regulations and statutes in relation to its District Plan and contract with the New York City Department of Business Services (DBS). Furthermore, the audit evaluated the adequacy of the BID's internal controls over its funds and operations.

The Columbus/Amsterdam BID renewed its contract with DBS on July 1, 1997. This contract represents an agreement between the BID and the City regarding requirements for its supplemental services and capital improvements.

The Columbus/Amsterdam BID was incorporated in the State of New York on August 3, 1983, by property owners, business owners, and not-for-profit groups with an interest in the area. Under City Legislation, BID assessments are collected by the City and then returned in their entirety to the BID. These moneys are used to purchase services and improvements supplemental to the services already provided to the area by the City, and to enhance and promote the business district.

Measured by revenue from assessments, the Columbus/Amsterdam BID was ranked 31st of the 44 BIDs in New York City in fiscal year 2002. According to its certified financial statements for fiscal year 2000, the BID had revenues of \$190,847 and expenditures of \$182,829 in fiscal year 2000.

Results

The Columbus/Amsterdam BID has provided supplemental sanitation services and has introduced a variety of programs and projects, in accordance with its District Plan. These programs have enhanced the community environment of the BID area.

However, the BID's mailing list of property owners and managers lacked some telephone information and was out of date. The telephone numbers of 20 individuals were missing. Telephone numbers for 15 of the 46 persons (33%) on the list whom we attempted to contact had been changed or disconnected; and 6 persons on the list were no longer involved with property in the BID.

The BID is in compliance with its DBS contract regarding insurance coverage and submission of reports. However, the BID does not fully comply with DBS contract requirements regarding the bidding process in selecting outside vendors. It does not maintain documentation pertaining to the bidding process for its contracts.

There were no material weaknesses in the BID's internal control system that would affect the BID's control over its operations. However, four of seven Requests for Reimbursement forms had no authorization signatures; the BID did not place a bank stop on two lost checks; four checks, totaling \$2,990 had only one signature; and the BID did not keep its checkbooks in a secure location.

The audit made seven recommendations, the most significant of which are listed below, that BID officials should:

- Contact all business owners and property owners and management in an effort to include them in BID activities.
- Ensure that the BID maintains a complete and accurate mailing list of business and property owners in the BID area.
- Retain all documents pertaining to the bidding process for its contracts.

The BID officials generally agreed with the audit's overall assessment and recommendations.

Update

The BID did not provide follow-up information.

DEPARTMENT OF BUSINESS SERVICES (DBS)

Audit Report on the Small Procurement Practices of the Department of Business Services

Audit # MD02-080A

Comptroller's Audit Library # 7378

Issued: June 14, 2002

Monetary Effect: None

Introduction

This audit determined whether the Department of Business Services (DBS) complied with applicable purchasing procedures regarding its small procurements, including the City's Procurement Policy Board (PPB) Rules, Comptroller's Directives #1, #6, #24, and #25, and its own formal procedures.

DBS assists small businesses through a variety of programs. In addition, it purchases goods and services for the Fulton Fish Market, and the Mayor's Office of Film, Theatre, and Broadcasting. DBS also funds the New York City Economic Development Corporation (EDC) through a contract.

During Fiscal Year 2001, the period covered by the audit, DBS encumbered funds for small procurements totaling \$772,944. Small procurements are defined as the purchase of goods and services totaling \$25,000 or less; construction and construction-related services totaling \$50,000 or less; and information technology totaling \$100,000 or less.

Results

DBS generally complied with applicable PPB Rules, Comptroller's Directives, and its own formal procedures, when processing small procurements. However, the audit identified some irregularities, such as:

- Of the sample of 27 purchase orders, DBS failed to solicit the required bids for three (28%) of the 11 purchase orders that required competitive bidding.
- DBS made a purchase totaling \$51,065 for training courses offered by Learning Tree International by issuing three purchase orders a few days apart. The purchase orders were each under \$25,000; however, when added together, they exceeded this amount. Had the three purchase orders been made as one purchase, DBS would have had to award a contract under more competitive provisions of the PPB Rules.
- A total of 11 (41%) purchase orders, totaling \$53,923, from the sample of 27 purchase orders were charged to incorrect object codes.
- DBS did not pay 14 (14%) of the 107 invoices in the sample within the time frames specified by the PPB Rules. These invoices were paid from 31 to 150 days past those time frames.
- For 20 (26%) of the 79 voucher packages reviewed in the sample, not all parts, especially the invoice, were marked "vouchered," as required by Comptroller's Directive #24.
- A payment, totaling \$20,000, was made by DBS to EDC for its share of the cost to install wall coverings and carpet on its floor. The procurement files for DBS did not contain any invoices to support the payment made or any information on how its share of the costs was allocated.
- DBS did not use an existing Requirements Contract for the purchase of ten Laser Jet Toner Cartridges (4V) totaling \$1,289.

The audit made 10 recommendations, the most significant of which were that DBS:

- Solicit bids in accordance with PPB Rules.
- Charge purchases to the correct object codes.
- Ensure that all parts of the voucher package, especially the invoices, are marked "vouchered" to avoid any duplicate payments.
- Ensure that reimbursements made to EDC for expenses incurred are supported with invoices and with information on how its share of the costs was allocated.

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

Update

DBS reported that it has implemented all of the audit's recommendations.

DEPARTMENT OF BUSINESS SERVICES (DBS)

Follow-up Audit Report on the Financial and Operating Practices of the East Brooklyn Industrial Park Business Improvement District

Audit # MD02-149F

Comptroller's Audit Library # 7372

Issues: June 13, 2002

Monetary Effect: None

Introduction

This follow-up audit determined whether the East Brooklyn Industrial Park Business Improvement District (East Brooklyn BID) implemented the recommendations made in our earlier audit, *Audit Report on the Financial and Operating Practices of the East Brooklyn Industrial Park Business Improvement District (Audit No. MD00-201A, issued June 21, 2001)*. The Department of Business Services (DBS) oversees all BIDS in New York City. The scope of this follow-up audit was July 2001 through December 2001.

The previous audit reported problems with: the services provided by the BID to its members, the Board of Directors' management of BID operations, and certain financial practices. Some of the major concerns were that the BID's assessments were not used to provide services to BID businesses only; the BID did not require the Local Development Corporation of East New York (LDCENY, under contract to provide administrative services for the BID) to submit documentation to support program service expenditures; and the BID did not have programs to meet the needs of BID businesses. In addition, there were weaknesses in corporate governance with regard to the Board's oversight and management of the BID. Finally, the BID lacked control over its financial activities.

Results

The previous audit made 27 recommendations, of which 21 were implemented, three were partially implemented, two were not implemented, and one was no longer applicable.

This follow-up audit found that the East Brooklyn BID has improved its internal controls over its funds and operations. However, the BID should make a more concerted effort to ensure that its programs meet BID members' needs, and it should continue to recruit new Board members. The BID's 2001 annual report contained inconsistencies in its reported expense figures. Also, the BID still has no control over the timing of payments made to LDCENY for its administrative services.

To address problems that still existed, the report made five recommendations, including the following:

- DBS should continuously monitor the East Brooklyn BID to ensure that it complies with all the recommendations of the previous audit report and this follow-up audit report.

The East Brooklyn BID should:

- Re-evaluate its programs to ensure that they address the needs and concerns of the East Brooklyn BID's businesses.
- Amend its administrative agreement with LDCENY to include payment terms.

DBS officials declined to comment on the report. East Brooklyn BID officials requested that auditors reconsider the implementation status of recommendations #7, #9, and #14 made in the previous audit. Upon re-examination, the auditors stood by their evaluation.

Update

East Brooklyn BID reported that it is in full compliance with the audit recommendations as follows:

- East Brooklyn BID has responded to the ideas and needs of its members. For example, the BID has produced quarterly newsletters, which describe the programs available and are sent to all BID businesses. The BID's Customer Service Desk calls every BID business to solicit their issues and problems. Recently, the BID distributed a program survey in an effort to determine the needs of its members and identify possible programs, such as traffic conditions.
- East Brooklyn BID actively solicits members to become Board members. The BID has used its newsletter to recruit members.
- Since Fiscal Year 2003, the East Brooklyn BID has ensured that payments made to the LDCENY are in accordance with its Administrative agreement by adhering to a monthly payment schedule of \$3,750.

East Brooklyn BID, however, did not address the fifth recommendation: to ensure that its annual reports accurately reflect its financial records.

DEPARTMENT OF BUSINESS SERVICES (DBS)

Audit Report on the Financial and Operating Practices of the Fashion Center Business Improvement District

Audit # MG01-196A

Comptroller's Audit Library # 7330

Issued: March 13, 2002

Monetary Effect: None

Introduction

This audit determined whether The Fashion Center Business Improvement District (BID) provided services called for in its District Plan, assessed the BID's compliance with key terms of its contract with the New York City Department of Business Services (DBS), and evaluated the adequacy of BID internal controls over its funds and operations.

The BID was incorporated in the State of New York on April 20, 1993, by property owners, tenants, and groups with an interest in the Garment District area in midtown Manhattan. Under City legislation, BID assessments are collected by the City and returned in their entirety to the BID. These monies are used to purchase services and improvements supplemental to the services already provided to the area by the City, and to enhance and promote the business district.

In fiscal year 2000, the BID had revenues of \$3,418,875 and expenditures of \$3,251,640. It was the fifth largest of the 44 BIDs in New York City in January 2002. The scope of the audit included fiscal years 1999 and 2000 (July 1, 1998, through June 30, 2000).

Results

The Fashion Center BID provides the services outlined in its District Plan: the BID supplemented City police service Monday through Friday; it has marketing and promotional activities to attract buyers to the District; and its social service program addresses homelessness and substance abuse in the District.

The BID generally complied with the key provisions of its contract with DBS and there were no major weaknesses in corporate governance. However, the BID did not keep its records in accordance with generally accepted accounting principles, as required by the contract.

The BID maintained adequate accountability over its funds. It reconciled bank accounts monthly, recorded transactions at correct amounts, authorized transactions, appropriately accounted for voided checks, and maintained adequate documentation. However, there were weaknesses in the BID's internal control system due to a lack of safeguarding of assets and segregation of duties, in the processing and recording of receipts and disbursements. In fiscal years 1999 and 2000, the BID had \$955,864 and \$1,108,673 respectively, in uninsured deposits. Moreover, the BID did not maintain an inventory listing of its equipment.

The BID did not consistently comply with its procurement procedures. It entered into one contract for \$50,000 without soliciting bids. In another case, it was unable to document the bids that were received; in two cases there was no contract on file; and in one case, neither the bids nor contract documents were on file.

The audit made eight recommendations, the most significant of which are listed below. The Fashion Center BID should:

1. Ensure that the functions of processing, recording, and reviewing of transactions are divided between two or more employees, or implement other compensating controls.
2. Place its funds in collateralized accounts.
3. Solicit bids from at least three qualified firms before entering into a contract. If fewer than three bids are received, or if the contract is a sole source, the BID should request approval

from the Commissioner of DBS.

Of the eight recommendations made in the report, the BID agreed with four of which one has already been implemented, and it disagreed with two. The BID did not address two recommendations, but instead took exception to the findings related to those recommendations in the “Non-compliance with Procurement Procedures” section of the report.

Update

The BID reported that it has implemented six recommendations. The BID did not implement the remaining two recommendations that it disagreed with.

DEPARTMENT OF BUSINESS SERVICES (DBS)

Audit of the Internal Controls and Operating Practices of the Lower Eastside Business Improvement District

Audit # MH02-113A

Comptroller’s Audit Library # 7375

Issued: June 13, 2002

Monetary Effect: None

Introduction

This audit assessed the Lower Eastside Business Improvement District’s (Lower Eastside BID) compliance with its District Plan, its contract with the Department of Business Services, and applicable regulations and statutes. It also evaluated the adequacy and effectiveness of the BID’s internal controls over its cash receipts and disbursements, accounting functions, and overall operations.

The Lower Eastside Business District Improvement (the BID) entered into a contract with the New York City Department of Business Services (DBS) in January 1993. This contract represents an agreement between the BID and the City regarding requirements for supplemental services (e.g., security and sanitation) and capital improvements for the district. The BID represents more than 400 stores, restaurants, and historic sites in Southeastern Manhattan, bounded by East Houston Street (north), Canal Street (south), Allen Street (west), and Suffolk Street (east).

Financially, the BID is relatively small. Measured by revenue derived from assessments, it ranked 27th of all the 42 BIDs in New York City in Fiscal Year 2001, with assessments totaling \$211,677. In addition, the BID rents on a monthly basis two parking lots from which it derives revenues. Assessments, parking lot revenues, and funding obtained by the BID through various grants provided for an operating budget of \$476,327 in Fiscal Year 2001.

Results

The Lower Eastside BID has successfully provided supplemental sanitation, security, and graffiti-removal services to the district. As a result, the area covered by the BID is a cleaner and safer place today than it was in 1993. In addition, the BID has been successful in promoting the district through quarterly newsletters, advertisements in local and major newspapers, radio advertisements, brochures, and shopping guides. The overall responses to our survey of 30 randomly selected district merchants were positive; merchants are generally satisfied with the supplemental services provided by the BID.

The audit determined that the BID was in compliance with most provisions of the DBS contract. However, it did not have documentation in its files to verify whether its contract for sanitation services, totaling \$21,900, had been awarded in compliance with contract solicitation requirements. Furthermore, the BID did not maintain a log to record and track district merchants' complaints dealing with security, sanitation, illegal street vendors, etc., as required by its contract with DBS.

Although the BID maintained adequate accountability over its cash receipts and disbursements, the audit identified a number of internal control weaknesses, including inadequate safeguarding of assets. As of June 30, 2001, the BID had \$375,298 on deposit in three separate banks. Of this amount, approximately, \$224,000 (59.6%) was not covered by the Federal Deposit Insurance Corporation. Moreover, the BID does not have adequate segregation of duties. The Executive Director is responsible for most of the bookkeeping, accounting, banking, and day-to-day purchasing functions. Furthermore, the audit determined that the BID destroys "void" checks, had no written policy for tracking outstanding checks, and invoices were not canceled or stamped "paid" after being paid.

Lastly, the audit determined that the BID has not formally audited the books and records of Central Parking—the contracted operator of the BID's parking facilities—to determine whether revenues and expenses are accurately reported and that the BID receives its fair share of Central Parking's income.

To address these findings, the audit made 10 recommendations. Some of the major recommendations include that the Lower Eastside BID should:

- Place deposits of funds exceeding \$100,000 in collateralized accounts.
- Invest or deposit its excess reserve funds in low-risk, higher-interest-yielding accounts, to maximize interest revenue.
- Formally and periodically audit Central Parking's books and records to ensure that adequate controls are maintained over cash and that revenues and expenses are accurately reported.

The BID generally agreed with eight of the 10 recommendations made in this audit.

Update

The BID reported that it has implemented the following four recommendations:

- The BID has improved segregation of duties by assigning a staff member to prepare and cut checks for payment. In addition, an executive board member initials the supporting invoices when signing BID checks.

- The BID's auditor has included audit procedures for Central Parking as part of the current and future audits.
- The BID has sent surveys to merchants to identify areas in which the BID can help their business.
- The BID now retains all voided checks.

ADMINISTRATION FOR CHILDREN'S SERVICES (ACS)

Audit Report on the Development and Implementation of the Health Information Profiling System by the Administration for Children's Services

Audit # 7A02-064

Comptroller's Audit Library # 7371

Issued: June 13, 2002

Monetary Effect: None

Introduction

The fundamental responsibility of the Administration for Children's Services (ACS) is the protection of children subjected to neglect and abuse. The ACS Office of Medical Services and Planning Division (MSP) is responsible for monitoring the medical care of children in foster care. Foster children are cared for by contracted agencies or directly by the City.

ACS hired Integrated Partners, Inc., in June 1999 to act as the project manager to design and develop its Health Information Profiling System (HIPS)—a customized computer application—to provide a centralized computer repository of health information for each child. HIPS allows ACS's contract agencies to enter children's medical records in the system and to review the medical information of all children in their care. In addition, the system allows MSP personnel to monitor a child's medical condition to ensure that the contract agencies are providing adequate care and maintaining adequate medical records for children in their care. HIPS Phase I was completed in December 2000. ACS is currently working on HIPS Phase II.

The purpose of this audit was to determine whether ACS followed a structured methodology for developing HIPS, whether the system allows future enhancements, and whether it meets users' needs.

Results

ACS followed a structured methodology in developing HIPS. The system, as developed, allows for future enhancements and upgrades. The contract agency users were generally satisfied with HIPS Phase I.

However, those agencies have difficulty in accessing HIPS via a dial-in modem. Moreover, ACS does not maintain adequate records of user accounts, User-IDs are not reviewed and updated, and HIPS users are not required to periodically change their passwords. Consequently, the report recommends that ACS: instruct its MIS division to determine whether dial-in access can be made easier; review the list of User-IDs to identify and remove duplicate entries; maintain a list of current users; and require that users periodically change their passwords.

ACS agreed with the audit's findings and recommendations.

Update

ACS reported that all of the audit's recommendations have been implemented as follows:

- Easier dial up was implemented in June 2002.
- ACS reviews the User-ID list at monthly scheduled meetings and updates the list when necessary.
- The HIPS system has been modified to maintain more detailed User-ID information, including the User's ID, name, and contract agency.
- Users are requested to change their passwords every three months.

ADMINISTRATION FOR CHILDREN'S SERVICES (ACS)

Audit Report on Episcopal Social Services and its Compliance with Its Child Care Agreement
July 1, 1998, through June 30, 1999

Audit # FM01-197A

Comptroller's Audit Library # 7334

Issued: March 18, 2002

Monetary Effect: Actual Revenue: \$1,539

Introduction

This audit determined whether Episcopal Social Services (Episcopal) maintained adequate internal controls over its expenses, revenues, and days-of-care reporting; complied with certain State and City regulations; and was paid based on the appropriate per diem rate for fiscal year 1999.

Episcopal, a not-for-profit organization, provided foster care services to approximately 755 individuals in fiscal year 1999. Foster care providers are reimbursed by the New York City Administration for Children's Services (ACS) for expenses, based on an interim per diem rate that is limited to the Maximum State Aid Rate established by the New York State Office of Children and Family Services and ACS. During fiscal year 1999, ACS reimbursed Episcopal \$11,233,041 for providing services to individuals in its foster care programs.

Results

Episcopal generally complied with the provisions of its child care agreement. It had an adequate system of internal controls over the recording and reporting of revenue and expenses. However, Episcopal owes the City \$1,539 because of differences between the interim and final per diem rates and for excess days of care not provided. Also, Episcopal reported \$160,469 in costs that should not have been charged to its foster care programs. However, these expenses did not result in recoupments because the audit's computed operating per diem rates exceeded the maximum per diem rates allowed, even deducting the unallowable expenses.

The audit recommended that Episcopal remit \$1,539 to the City, and report its expenses and its days-of-care accurately and in accordance with New York State and ACS regulations. The report also recommended that ACS ensure that Episcopal complies with the report's recommendations.

ACS, which also responded on behalf of Episcopal, stated that both organizations agreed with the audit's findings and recommendations. ACS responded that Episcopal agreed to: repay ACS \$1,539; ensure that only those expenses allowed by ACS and New York State Regulations are included on its Report of Actual Expenditures DSS-2652; and ensure that days-of-care are reported accurately.

Update

ACS reported that the audit's recommendations are being implemented as follows:

- ACS recovered the \$1,539 from Episcopal by reducing the monies paid to Episcopal in the first quarter of FY' 2003.
- The CPA audit will verify whether only expenses in the New York State Standards of Payments for Foster Care Children and the City's CWA Foster-Care Reimbursement Bulletin No. 92-5 and applicable amendments are included as expenses.
- Episcopal is reporting days-of-care accurately in accordance with New York State ACS regulations.
- ACS issued a written notice to Episcopal requiring them to implement the audit's recommendations.

ADMINISTRATION FOR CHILDREN'S SERVICES (ACS)

Audit Report on Brookwood Child Care and Its Compliance with Its Child Care Agreement
July 1, 1999, through June 30, 2000

Audit # FM02-151A

Comptroller's Audit Library # 7399

Issued: June 24, 2002

Monetary Effect: Actual Savings: \$211,781

Introduction

This audit determined whether Brookwood Child Care (Brookwood) maintained adequate internal controls over its expenses, revenues, and days-of-care reporting; complied with certain State and City regulations; and was paid based on the appropriate per diem rate for Fiscal Year 2000.

Brookwood, a not-for-profit organization, provided foster care services to approximately 918 individuals in Fiscal Year 2000. Foster care providers are reimbursed by the New York City Administration for Children's Services (ACS) for expenses, based on an interim per diem rate that is limited to the Maximum State Aid Rate established by the New York State Office of Children and Family Services and ACS. During Fiscal Year 2000, ACS reimbursed Brookwood \$9,563,111 for providing services to individuals in its foster care programs.

Results

Brookwood generally complied with the financial provisions of its child care agreement and with State and City regulations. When ACS performed its Fiscal Year 2000 closeout calculations for Brookwood, it determined that ACS owed Brookwood \$237,844. However, the audit found that Brookwood inaccurately classified and incorrectly reported days-of-care on its Report of Actual Expenditures DSS 2652 and Care Day Census and Pass-Through Calculation, the documents upon which ACS based its closeout. In addition, Brookwood made errors and misclassifications in its reported expenses and paid its foster parents at rates that were lower than the approved rates. Moreover, Brookwood owes the City \$79,588 because it did not use all of the Independent Living Skills Program funds that it received from ACS. At the same time, ACS owes Brookwood \$105,651 (rather than the \$237,844 determined by the "closeout") because Brookwood was not paid for all of its Foster Boarding Home Program expenses. Consequently, ACS owes Brookwood a net of \$26,063.

The audit recommended that Brookwood include only those expenses allowed in the New York State Standards of Payment for Foster Care of Children and the City's CWA Foster-Care Reimbursement Bulletin No. 92-5, report its days-of-care accurately and in accordance with New York State and ACS regulations, determine the amount by which each foster parent was underpaid for Fiscal Year 2000, and make the appropriate retroactive payments. In addition, the audit recommended that ACS pay Brookwood \$26,063 rather than the \$237,844 determined by the ACS year-end closeout, and ensure that Brookwood complies with this report's recommendations.

ACS, which responded for Brookwood and itself, stated that both organizations agreed with the audit's findings and recommendations.

Update

ACS reported that the audit's recommendations are being implemented as follows:

- The CPA audit will verify that only expenses in the New York State Standards of Payments for Foster Care Children are included as expenses.
- The CPA audit will also verify that only expenses allowed in the CWA Foster-Care Reimbursement Bulletin No. 92.5 and applicable amendments are included on its Report of Actual Expenditures DSS-2652.
- Brookwood is reporting its days-of-care accurately in accordance with New York State and ACS regulations.
- Brookwood is currently reviewing and computing the amounts underpaid to foster parents for Fiscal Year 2000 and will make appropriate retroactive payments.

- ACS will pay Brookwood \$26,063 for Fiscal Year 2000.
- ACS has notified Brookwood that they are required to implement the audit's recommendations.

ADMINISTRATION FOR CHILDREN'S SERVICES (ACS)

Audit Report on Forestdale, Inc., and its Compliance with its Child Care Agreement
July 1, 1999, to June 30, 2000

Audit # FN02-057A

Comptroller's Audit Library # 7325

Issued: February 8, 2002

Monetary Effect: Actual Revenue: \$49,420

Introduction

Forestdale Inc. (Forestdale) is a not-for-profit organization in Brooklyn that provides services and administers funds to children in foster boarding homes. Foster care providers are reimbursed for expenses based on a per diem rate that is limited to the Maximum State Aid Rate established by the New York State Office of Children and Family Services and the New York City Administration for Children's Services (ACS).

This audit determined whether Forestdale maintained adequate internal controls over the recording and reporting of expenses, revenues, and days-of-care; was paid based on the appropriate per diem rate in accordance with the New York State standards of payment, ACS regulations, and accurate days-of-care data; and complied with announcements and regulations stated in the New York State *Standards of Payment*, and the City's *CWA Foster-Care Reimbursement Bulletin No. 92-5*. ACS reimbursed Forestdale \$7,664,764 for providing services to 385 individuals in its programs for the period July 1, 1999, to June 30, 2000 (Fiscal Year 2000). In addition, Forestdale received \$170,961 from ACS for its Enhanced Independent Living Skills Program—an educational program for individuals in its care who are at least 14 years of age.

Results

Forestdale generally complied with the provisions of its child care agreement and applicable regulations. It had an adequate system of internal controls over the recording and reporting of revenue, expenses, and days-of-care. However, Forestdale owes the City \$49,420 because it received \$30,923 more in advances from ACS than it was entitled to; there were differences between the interim and final pass-through rates totaling \$9,996; and did it not return to ACS \$8,501 in unused funds pertaining to the Enhanced Independent Living Skills Program.

The report recommended that Forestdale remit \$49,420 to the City and include on its Report of Actual Expenditures DSS-2652 only those expenses allowed in accordance with New York State and ACS regulations.

ACS agreed with the audit's findings and recommendations and stated that Forestdale agreed to repay ACS \$49,420 and to ensure that only allowable expenses are included on its Report of Actual Expenditures DSS-2652.

Update

ACS reported that all of the audit's recommendations are being implemented as follows:

- ACS recovered the \$49,420 from Forestdale by reducing the July 2002 advance.
- The CPA audit will verify that only expenses in the New York State Standards of Payments for Foster Care Children and the CWA Foster-Care Reimbursement Bulletin No. 92-5 and applicable amendments are included as expenses.
- ACS issued a written notice to Forestdale requiring them to implement the audit's recommendations.

ADMINISTRATION FOR CHILDREN'S SERVICES (ACS)

Audit Report on Rosalie Hall, Inc., and its Compliance with its Child Care Agreement
July 1, 2000, to June 30, 2001

Audit # FN02-155A

Comptroller's Audit Library # 7368

Issued: June 13, 2002

Monetary Effect: None

Introduction

Rosalie Hall, Inc. (Rosalie Hall) is a not-for-profit organization in the Bronx that provides housing and maternity care through its Maternity Residence to unwed pregnant women up to the age of 18 (or 21 if they are still in school). Child care providers are reimbursed for expenses based on a per diem rate that is limited to the Maximum State Aid Rate established by the New York State Office of Children and Family Services and the New York City Administration for Children's Services (ACS).

This audit determined whether Rosalie Hall maintained adequate internal controls over the recording and reporting of expenses, revenues, and days-of-care; was paid based on the appropriate per diem rate in accordance with the New York State standards of payment and ACS regulations; and complied with announcements and regulations in the New York State *Standards of Payment*, and the City's *CWA Foster-Care Reimbursement Bulletin No. 92-5*. ACS reimbursed Rosalie Hall \$760,020 for providing services to 78 individuals in its Maternity Residence Program for the period July 1, 2000, to June 30, 2001 (Fiscal Year 2001). In addition, Rosalie Hall received \$33,237 from ACS for its Independent Living Skills Program, an educational program for individuals in its care who are at least 14 years of age.

Results

Rosalie Hall generally complied with the provisions of its child care agreement and applicable regulations. It had an adequate system of internal controls over the recording and reporting of revenue, expenses, and days-of-care. However, Rosalie Hall owes the City \$21,104 because it received \$34,126 in excess advances from ACS, but it under-billed ACS \$13,022 for its Maternity Residence Program. Rosalie Hall also included \$37,596 in administrative costs that were not in accordance with New York State and ACS regulations. However, no recoupment of these disallowances was warranted because the computed operated rate for Rosalie Hall still exceeded the maximum per diem rate after program costs were recalculated.

The report made four recommendations, of which the two major recommendations were that Rosalie Hall remit \$21,104 to the City, and include on its Report of Actual Expenditures DSS-2652 only those expenses allowed by New York State and ACS regulations.

ACS agreed with the audit's findings and recommendations and stated that Rosalie Hall agreed to repay ACS \$21,104, and to ensure that only allowable expenses are included on its Report of Actual Expenditures DSS-2652.

Update:

ACS reported that the audit's recommendations are being implemented as follows:

- A reconciliation of days-of-care, rates and amounts advanced to Rosalie Hall resulted in a balance of \$9,580 due to Rosalie Hall.
- The CPA audit will verify that only expenses in the New York State Standards of Payments for Foster Care Children are included as expenses.
- The CPA audit will also verify that only expenses allowed in the CWA Foster-Care Reimbursement Bulletin No. 92.5 and applicable amendments are included on its Report of Actual Expenditures DSS-2652.
- ACS has issued a written notice to Rosalie Hall requiring that it implement the audit's recommendations.

ADMINISTRATION FOR CHILDREN'S SERVICES (ACS)

Audit of the Jamaica NAACP Day Care Center's Compliance with its Contract with the New York City Administration for Children's Services (ACS)

Audit # FP01-112A

Comptroller's Audit Library # 7327

Issued: February 13, 2002

Monetary Effect: None

Introduction

The Jamaica NAACP Day Care Center, Inc. (Center), established in 1968, provides early childhood education, health nutrition, and social services to families and children. During fiscal year 2000, the Center received approximately \$1,568,735 from the New York City Administration for Children's Services (ACS) to provide day care services to 271 children. In addition, the Center received \$98,321 from the New York State Department of Health (Child and Adult Care Food Program) to provide breakfast and lunch at the Center.

This audit determined whether the Center complied with its day care contract.

Results

The audit found weaknesses in the Center's financial and operating procedures, and noted that the Center did not comply with certain provisions of its day care contract. Specifically, we found that the Center:

Did not maintain the facilities in a safe and sanitary condition, as required by its contract with ACS.

- Did not ensure that 23 of its 77 employees had annual medical examinations, as required by the New York City Health Code.
- Did not provide documents showing that appropriate background investigations were carried out on 30 of its 77 employees.
- Provided no documentation showing that 8 of its 77 employees had completed training in the identification, reporting, and prevention of child abuse and maltreatment, as required by its contract with ACS.
- Undercharged parents \$27,482 in tuition fees for private day care and used \$13,582 in tuition fees for questionable and unallowable expenses.
- Could not account for tuition fees totaling \$1,552 collected from parents.
- Issued 9 checks totaling \$232,422 without two authorized signatures, as recommended by ACS.
- Did not maintain documentation (i.e., invoices, receipts, etc.) for 10 disbursements, totaling \$3,514. Therefore, we could not determine the legitimacy of these expenses.

- Did not issue a Form 1099 statement to a consultant, in accordance with Internal Revenue Service regulations.
- Made questionable reimbursements totaling \$369.80 to employees.
- Paid its employees \$27,617 for 2,600 hours that were not documented on the employees' time records.

The audit made nine recommendations to the Center, including that it should:

- Maintain its premises in a safe and sanitary condition, as required by its contract with ACS.
- Ensure that all of its employees undergo annual medical examinations in accordance with New York City Health Code.
- Ensure that it obtains the required background checks of all employees.
- Calculate, deposit, and use tuition fees in compliance with ACS's guidelines.

The audit also made two recommendations to ACS including that it should ensure that the Center complies with the report's recommendations and operates in accordance with ACS guidelines. In that regard, ACS should request that DOH officials frequently inspect the Center to ensure that it is being properly maintained.

In its response, ACS indicates the actions it has taken to ensure that the Center implements all of the reports' recommendations.

Update

ACS has verified through field visits at the Center that the following eight recommendations have been implemented:

- The Center has corrected all unsafe and unsanitary conditions.
- All of the Center's employees have current medical examination reports on file.
- All of the Center's employees have background checks.
- All of the Center's employees have certificates showing they were trained in identification, reporting and preventing child abuse.
- The Center has opened an account for private tuition fees previously earned.
- All checks issued have two signatures.
- ACS is monitoring the Center's implementation of the audit's recommendations. DOH has licensed the Center's programs.
- ACS has referred the issue of why medical examination documents appear to have been altered, to its Inspector General (IG). The IG did not uncover any evidence of criminal activity.

ACS will verify whether the remaining three recommendations have been implemented.

ADMINISTRATION FOR CHILDREN'S SERVICES (ACS)

Audit Report on the Compliance of the Whitney M. Young Jr. Day Care Center with its New York City Administration for Children's Services Contract

Audit # ME00-059A

Comptroller's Audit Library # N/A

Issued: April 19, 2002

Monetary Effect: To be determined

This confidential audit report was referred to the Richmond County District Attorney's Office on April 19, 2002.

ADMINISTRATION FOR CHILDREN'S SERVICES (ACS)

Audit Report on the Compliance of the Starlight Day Care Center with its Contract with the New York City Administration for Children's Services

Audit # ME01-193A

Comptroller's Audit Library # 7362

Issued: June 5, 2002

Monetary Effect: None

Introduction

The objective of this audit was to determine whether the Starlight Day Care Center was in compliance with the provisions of its contract with the Agency for Children's Services (ACS). The scope of this audit was Fiscal Year 2001.

During Fiscal Year 2001 (July 1, 2000, to June 30, 2001), Starlight was under contract with ACS to provide day care services for 75 children. Starlight received \$437,406 from ACS to operate its day care program. In addition, Starlight received \$58,760 from the U.S. Department of Agriculture Child and Adult Care Food Program (CACFP).

Results

Starlight was in compliance with some important provisions of its contract with ACS. Specifically, Starlight ensured that the day care center (including food preparation and storage areas) was maintained in a safe and sanitary condition, that teacher-to-student ratios in all classrooms were within established guidelines, that its expenses were legitimate and related to its operation and were accurately reported to ACS, that it collected and deposited parent fees in its bank account, that ACS and CACFP funds were not commingled, and that Starlight submitted its audit reports to ACS in a timely fashion. In addition, Starlight released its students only to authorized individuals, in compliance with its own guidelines.

However, security lapses at the day care center could place the children in jeopardy. There are also a number of problems with Starlight's fiscal and operating practices. Most of these stem from Starlight's lack of an adequate internal control structure. Some of the specific problems we found include that Starlight:

- cannot account for its private student tuition;
- does not maintain a separate bank account for private students' tuition;
- undercharges private students;
- does not properly control petty cash;
- does not have adequate controls over its payroll and timekeeping functions;
- lacks evidence that the names of all employees were submitted for the required background checks, that all employees were trained to detect child abuse and maltreatment, and that all employees had taken a physical examination in the current year;
- does not maintain roll-books that reconcile with the ACD-1s; and
- lacks controls to safeguard its assets.

The audit resulted in 19 recommendations. Twelve of the major recommendations are listed below.

- ACS and Starlight should continue to ensure that proper security systems are maintained. This includes securing the rooftop play area and repairing the security monitors.
- Starlight should improve its internal control structure, ensure that payment vouchers are properly signed and approved, and ensure that all checks have the required two signatures before they are issued.
- Starlight should keep proper books and records for both the receipt and the disbursement of private tuition funds.
- Starlight should deposit private tuition fees in a separate bank account.
- Starlight should ensure that private tuition funds are used to enhance the day care program, in accordance with ACS guidelines.
- Starlight should charge private students tuition, in accordance with ACS guidelines.
- Starlight should develop detailed timekeeping procedures for its employees, including those who work on multiple programs, to ensure adequate controls over the payroll and timekeeping process. These procedures should require that employees maintain separate time records for each program.
- Starlight should ensure that an adequate supervisory review is performed during the timekeeping and payroll process.
- Starlight should ensure that it accurately pays employees for the hours reported on their time cards.
- Starlight should obtain all required background checks for current employees of the center, make sure that all required background checks are performed in a timely manner for future

employees, and ensure that records of background checks are maintained in employees' personnel files for the duration of their employment

- Starlight should ensure that it maintains complete and accurate roll-books and reports attendance accurately to ACS on the ACD-1's.
- Starlight should develop and maintain an accurate inventory list of all of its physical assets, and update the list as new items are purchased and old items are discarded.

The Agency for Children's Services agreed with the audit's recommendations.

Update

ACS reported that Starlight has implemented 16 of the 19 recommendations. ACS has verified the implementation of these recommendations through field visits at the Center. However, ACS could not verify the implementation of three recommendations because, Starlight had no children for whom private tuition was being paid, the assistant bookkeeper did not attend the training class held on the ACS-1, and it has not yet checked Starlight's inventory of physical assets.

ADMINISTRATION FOR CHILDREN'S SERVICES (ACS)

Audit Report on the Timely Processing of Child Support Payments By the Administration for Children's Services

Audit # MJ02-060A

Comptroller's Audit Library # 7380

Issued: June 17, 2002

Monetary Effect: None

Introduction

This audit determined whether child support payments are processed and forwarded to custodial parents in a timely manner, and whether the Administration for Children's Services (ACS) disburses appropriate payments to clients who receive public assistance. The audit covered Fiscal Year 2001.

The mission of ACS is to ensure the safety and well-being of New York City children. ACS' Office of Child Support Enforcement (OCSE) ensures that "non-custodial" parents (i.e., parents who do not have custody of their children) provide financial support for their children. Courts issue child support orders so that custodial parents (clients) can receive financial support for their children from non-custodial parents (respondents). When an order is issued, OCSE establishes a child support account on the Child Support Management System (CSMS), an automated system maintained by the New York State Department of Social Service (State DSS). In 1992, State DSS entered into a contract with Lockheed Information Management Services, now known as Affiliated Computer Services (Affiliated) to collect and disburse child support payments on behalf of local social service districts in New York State. New York City is one such district.

As of June 30, 2001, there were 208,251 active child support cases in New York City. In Fiscal Year 2001, respondents were to pay a total of \$558.9 million in child support payments as a result of court orders; \$446.9 million (80%) of that amount was collected.

Results

Child support payments are generally processed and forwarded to custodial parents within federally mandated time frames. Forty-seven (94%) of the 50 sampled payments were sent within those time frames. The remaining three were delayed because they were placed on hold for various reasons. Of the 50 cases reviewed, 23 involved custodial parents who were on public assistance (PA) during the period for which the payments were applicable. The PA status recorded in CSMS for these 23 parents reconciled with information recorded in the State Welfare Management System.

Of the 50 suspense payments reviewed, OCSE applied 30 (60%) to the appropriate accounts within the agency's informal 30-day standard. Another 15 were applied in 33 to 364 days, and five were still in suspense as of April 11, 2002. It was not possible to determine whether OCSE followed its procedures in investigating these cases, however, because officials did not provide adequate documentation of their efforts, as requested. Although OCSE has a Customer Service Unit to handle inquiries from clients and respondents, it does not formally track the resolution of such inquiries. As a result, OCSE may be hindered in (1) tracking the unit's effectiveness, and (2) identifying any significant trends regarding Affiliated's processing of child support payments.

The report made four recommendations to OCSE, all of which are listed below. OCSE should:

- Require Suspense Unit staff to more fully document its efforts (e.g., directory searches, correspondence sent), including the dates of each of their investigative efforts, to identify the correct custodial parents for suspense payments. Management should use such information to evaluate the Suspense Unit's effectiveness.
- Require Suspense supervisors to review all payments that remain in suspense more than 30 days to ensure that staff have exhausted all efforts to identify the correct custodial parents.
- Review every month the age of payments remaining in suspense in order to track the Suspense Unit's effectiveness in identifying the correct custodial parents as quickly as possible.

- Devise a method for tracking and aggregating customer inquiries and resolutions to help ensure that any systemic issues regarding child support payments are quickly identified and resolved.

In its response, ACS generally agreed with the audit's findings and recommendations.

Update

ACS reported that it is implementing the audit's recommendations as follows:

- OCSE is currently revising its procedures for better documenting and identifying the correct custodial parents for suspense payments. These revised procedures should be completed in February 2003.
- OCSE is currently revising its procedures for Suspense supervisors to regularly review all payments that remain in suspense more than 30 days. These revised procedures should be completed in February 2003.
- OCSE is currently revising its procedures to better monitor the Suspense Unit's effectiveness in identifying custodial parents as quickly as possible. These revised procedures should be completed in February 2003. OCSE also plans to explore the possibility of implementing new reports from the CSMS database.
- OCSE is currently performing an analysis to determine the best method to use to better track and aggregate inquiries and resolutions to help ensure that any systemic issues regarding child support payments are quickly identified. A new process should be developed by May 2003.

DEPARTMENT OF CITY PLANNING (CITY PLANNING)**Audit Report on Compliance of the New York City Department of City Planning With Comptroller's Directives Relating to Payroll and Timekeeping**

Audit # ME02-129A

Comptroller's Audit Library # 7358

Issued: May 30, 2002

Monetary Effect: None

Introduction

This audit evaluated the compliance of the Department of City Planning (City Planning) with Comptroller's Directives relating to payroll and timekeeping. The scope of this audit covered the period July 1, 2000, to June 30, 2001.

The Department of City Planning has been in operation since 1938. Its principal goals are to encourage housing and economic development, improve the City's quality of life and preserve its neighborhoods, and streamline the land-use regulatory process. The Department is responsible for the City's physical and socioeconomic planning, including land-use and environmental reviews. The Director of City Planning also serves as the Chair of the City Planning Commission and advises the Mayor, the Borough Presidents, and the City Council on all matters related to the development and improvement of the City. In Fiscal Year 2001, City Planning had a Personal Services budget of \$14,992,296 for its 277 employees.

Results

City Planning has an adequate internal control system for its payroll and timekeeping functions; however, City Planning does not consistently follow its own procedures. City Planning also generally complied with Comptroller's Directive 1, *Agency Evaluation of Internal Controls*, and Directive 13, *Payroll Procedures*. Specifically:

- Payroll changes were properly processed and recorded in the City's Payroll Management System (PMS).
- City Planning employees' jury duty service was properly recorded, and City Planning properly collected any jury duty pay its employees received.
- Paychecks were distributed to the appropriate bona fide employees.
- Undistributed paychecks and payroll stubs were stored in a secure facility following the payroll distribution.

However, there were weaknesses in City Planning's procedures resulting in the following seven recommendations. City Planning should:

- ensure that all pertinent information, such as last day worked and last day paid, is entered on the Personnel Change Form;
- ensure that all units indicate their reviews of personnel changes by properly signing the Personnel Change Form;

- ensure that signatures indicating proper approval appear on all PMS Employee Update and PMS New Appointment forms;
- ensure that all time sheets are reviewed and signed by the supervisors;
- ensure that the work unit timekeeper and the work unit supervisor review and authorize the time recorded on the time sheets and the Employee Time Records;
- ensure that the central timekeeping unit reviews and verifies the accuracy of the time recorded in PMS; and
- continue to ensure that its employees sign for their payroll stubs.

City Planning agreed with the audit's recommendations.

Update

City Planning reported that the audit recommendations have been fully implemented.

CITY UNIVERSITY OF NEW YORK (CUNY)

Audit on the Borough of Manhattan Community College Auxiliary Enterprises Corporation

Audit # MG02-139A

Comptroller's Audit Library # 7388

Issued: June 21, 2002

Monetary Effect: None

Introduction

The City University of New York (CUNY) includes six community colleges that derive funding from three sources: State aid, City support, and tuition and fees. In addition, the Borough of Manhattan Community College (BMCC) Auxiliary generates non-tax levy revenue from commissions from vendors operating payphones, photocopy machines, ice-cream vending machines, a bookstore, and a cafeteria. It also receives revenue from rentals of BMCC space, custodial services, and media services to companies and organizations for conferences, social functions, and other events.

This audit determined whether the Auxiliary's revenues and expenses were accurately recorded in the general ledger, whether the internal control structure over the processing of revenues and expenses is adequate, and whether expenses incurred were reasonable, appropriate, and in compliance with prescribed guidelines and bylaws. The scope of this audit was Fiscal Year 2001.

Results

The audit concluded that there was adequate segregation of duties, transactions were posted daily, and monthly bank reconciliations and monthly financial reports were prepared. In addition, revenues and expenses were accurately recorded in the general ledger, cash receipts were recorded and deposited daily, and all time sheets were properly approved.

The Auxiliary had adequate supporting documents for most of the expenditures, but did not document the college-related purpose of the expenses as required. Although the purpose of some expenditures was obvious, the college-related purpose of some expenditures was questionable. In addition, there were some weaknesses in the Auxiliary's internal control structure. The Auxiliary used a signature stamp on some checks, although the use of the stamp for those checks was not authorized by the Auxiliary Board. Moreover, even though the stamp was to be used only for purchases of \$2,500 or less, it was used on 67 percent of the checks that exceeded \$2,500.

During April, May, and June 2001, all of the vendors, except the operator of the ice-cream vending machines, made late commission payments to the Auxiliary. Further, for those vendors whose contracts had provisions for penalties for late payments, the Auxiliary assessed no penalties at all. The review of facility rental documents generated in April, May, and June 2001 showed that the Auxiliary did not enter into license agreements for all rentals and that when license agreements were prepared, they were not always signed by the organization renting the space or requesting the services. Also, the Auxiliary did not always collect the required full payment prior to the date of the event.

Lastly, at the end of Fiscal Year 2001, the Auxiliary had a fund balance of more than a million dollars—\$1,067,152. The Auxiliary's mission is to raise funds to assist in developing the programs, resources, and facilities of BMCC to enable it to provide more extensive educational opportunities and services. By maintaining a large surplus of funds, the Auxiliary's efforts to achieve that mission are limited.

This audit made eight recommendations, the most significant of which are listed below. The Auxiliary Board of Directors should:

1. Require that all expenditures have adequate supporting documentation, including the educational or college-related purpose of the expenditure.
2. Discontinue the use of the signature stamp and require that all checks have handwritten signatures.
3. Enforce compliance with the terms and conditions that are stated in its contracts with vendors. The Auxiliary should make greater efforts to collect all revenues when they are due, and assess penalties when appropriate.
4. Require that license agreements be prepared, properly signed and approved, and maintained for all facility rental events.
5. Reduce the Auxiliary's fund balance by identifying areas or programs that need additional resources.

Overall, the Borough of Manhattan Community College agreed with all of the recommendations except for recommendation #8.

Update

CUNY reported that the Auxiliary has implemented seven recommendations and partially implemented one recommendation. The recommendations that the Auxiliary implemented include:

- The Auxiliary ensures that expenditures are supported with documentation, including the educational or college-related purpose of the expenditure.
- The Auxiliary has included a penalty clause for late payments in all new vendor contracts and monitors the adherence to contract terms and conditions.
- The Auxiliary requires that license agreements are completed and approved for all facility rental events, and that an effort is made to collect payments prior to the event.

- The Auxiliary's fund balance has been reduced significantly since September 11, 2001. After September 11th, facility rentals decreased which reduced revenue collections. In addition, the bookstore agreement with the new vendor provides less commission payments.

The Auxiliary partially implemented the recommendation to have two authorized signatures for all checks. It requires two authorized signatures for checks in the amount of \$2,500 or more and not for all checks.

DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES (DCAS)

Follow-up Audit Report on the Internal Controls for the Department of Citywide Administrative Services Data Center

Audit # 7F02-166

Comptroller's Audit Library # 7384

Issued: June 20, 2002

Monetary Effect: None

Introduction

This follow-up audit determined whether the New York City Department of Citywide Administrative Services (DCAS) implemented the recommendations made in an earlier audit report, *Audit Report of the Internal Controls for the New York City Department of General Services' FAMIS Data Center* (Audit #7A96-080, issued June 28, 1996). The earlier audit evaluated the adequacy of the FAMIS (Fleet Administration Maintenance Information System) data center's physical security, computer operations, and backup/contingency plans. This follow-up audit discusses the recommendations made in the previous audit as well as the implementation status of those recommendations.

Results

The previous audit made 21 recommendations to DCAS (formerly known as the Department of General Services), of which three have been implemented, four have been partially implemented, and 14 are no longer applicable. The three recommendations that were implemented dealt with developing system security policies and storing supporting documentation at an off-site location. The four recommendations that were partially implemented dealt with password control and periodic testing of the disaster recovery plan. Since FAMIS has been replaced by another system, Maintenance Control Management System (MCMS), that resides on the IBM mainframe computer of the Department of Information Technology and Telecommunications, the 14 recommendations to DCAS that dealt with maintenance of the hardware and the physical security of the system are no longer applicable.

To address the issues that still exist, this follow-up audit recommended that DCAS:

- Require that all system users periodically change their passwords.
- Test the MCMS disaster recovery plan annually.

DCAS officials agreed to revisit the issue of having users periodically change their passwords and stated that MCMS will be tested annually as part of DoITT's disaster recovery test.

Update

DCAS reported that it is implementing the audit recommendations as follows:

- The issue of changing users' passwords on a regular schedule will be decided in January 2003.

- MCMS will be part of the disaster recovery test on January 23, 2003.

DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES (DCAS)

Follow-Up Audit Report on the Department of Citywide Administrative Services Office of Management Information Systems Implementation of the Agency-Wide Local Area Network

Audit # 7F02-167

Comptroller's Audit Library # 7385

Issued: June 20, 2002

Monetary Effect: None

Introduction

This follow-up audit reviewed the implementation status of ten recommendations made in a previous audit report on the New York City Department of Citywide Administrative Services (DCAS) (formerly the Department of General Services) Office of Management Information Systems, *Audit Report of the Department of General Services Office of Management Information Systems Implementation of Agency-Wide Local Area Network* (Audit #7A96-124, issued April 29, 1996). The earlier audit evaluated the implementation phase of the agency-wide Local Area Network (LAN). This follow-up audit discussed the recommendations and the current implementation status of those recommendations made in the earlier report.

Results

Six of the ten recommendations made in the previous report were implemented, one was partially implemented, two were not implemented, and one recommendation is no longer applicable. The one recommendation that was partially implemented dealt with inadequate documentation of unanticipated downtime and of downtime for system debugging and periodic maintenance. The two recommendations that are still not implemented deal with the Disaster Recovery Plan for LAN operations.

To address the issues that still exist, this follow-up audit recommended that DCAS:

- Establish formal documentation that records unanticipated downtime and downtime for system debugging and periodic maintenance.
- Develop, approve, and implement a Disaster Recovery Plan in accordance with Comptroller's Directive 18.
- Test the Disaster Recovery Plan to ensure that it will provide smooth, rapid, and effective restoration of the LAN sites' functions in the event of a disaster. Any such test should not be announced so that the staff learn how to function during an actual emergency.

DCAS agreed with two of the recommendations and partially agreed with the recommendation that it fully test its LAN restoration.

Update

DCAS reported that it has implemented one recommendation and is in the process of implementing two recommendations as follows:

- DCAS purchased Network Associates "Magic Solutions" software, which will track system downtime.
- DCAS plans to establish a Back-up/Disaster Recovery Site located at DoITT Metro Tech Center, in Brooklyn. All tests will be done at this facility.

CIVILIAN COMPLAINT REVIEW BOARD (CCRB)

Follow-up Audit Report on the Case Management Policies and Procedures Of the Civilian Complaint Review Board

Audit # MH01-183F

Comptroller's Audit Library # 7355

Issued: May 23, 2002

Monetary Effect: None

Introduction

This follow-up audit determined whether the Civilian Complaint Review Board (CCRB) implemented the recommendations made in an earlier audit, *Audit Report on Case Management Policies and Procedures of the Civilian Complaint Review Board* (Audit #MH96-181A, issued June 25, 1998). That audit evaluated the CCRB's performance in terms of its review of case files and data from July 1993 through July 1997. It concluded that the CCRB had increased its effectiveness and had made gains in investigating civilian complaints of police misconduct, but too many cases still exceeded the 18-month statute of limitations. It also concluded that many cases, although completed by the CCRB within 18 months, were at-risk because they were sent to the NYPD too late for the NYPD to complete its own investigations and take disciplinary actions before the expiration of the statute of limitations. In addition, the previous audit determined that the CCRB computer database had serious data reliability problems. This follow-up audit covered Fiscal Year 1998 through Fiscal Year 2001.

Results

This audit determined that five of the ten recommendations made in the previous audit were implemented, three were partially implemented (or partially implemented with improvement noted), one was not implemented, and one was no longer applicable

This audit concluded that since the previous audit, the CCRB has shown marked improvement in managing its caseload more quickly and efficiently. A number of factors contributed to this improvement: a greater ability to obtain timely information from the NYPD, a new time-triggered case review system, the hiring of additional CCRB investigators, and better training of these new staff members. Nonetheless, the audit found that CCRB investigative managers and supervisors did not consistently make entries in the computerized case log to verify that the required periodic reviews were conducted; therefore, there is no assurance that all cases receive supervisory review at the specified intervals. Moreover, the CCRB has still not developed more realistic performance indicators to define the backlog of cases.

To address weaknesses that still exist, the audit restated the following recommendations made in the previous audit. The CCRB should:

- Continue to work to maintain compliance with its case management procedures and process cases expeditiously to ensure that all substantiated cases are referred to the NYPD with sufficient time remaining on the 18-month statute of limitations for the NYPD to take action.

- Meet with the Mayor's Office of Operations to discuss discontinuing the "operational backlog" indicator that is now being used in the Mayor's Management Report (MMR), replacing it with a more relevant indicator that would provide a clearer measure of the agency's productivity in processing cases.
- Continue to work with the NYPD to expedite the process for obtaining investigation-related documents from the NYPD Internal Affairs Bureau.
- Report on a case-by-case basis the NYPD's final actions on CCRB cases in addition to reporting the number of police officers involved in each case. This could provide a clearer gauge of CCRB effectiveness regarding the outcome of substantiated cases.

To further improve its case processing procedures and management, the audit made three new recommendations that the CCRB should:

- Continue to work to obtain direct CCRB desktop access to the NYPD database.
- Remind investigative managers and supervisors in the time-triggered review procedures or retrain them in these procedures; emphasize that each case log should be validated by supervisory personnel upon the completion of each required case review.
- Consider adding an indicator to the Complaint Tracking System (CTS) database that could be used to evidence the completion of supervisory case reviews at specified intervals. This feature could also be used to flag cases still requiring review.

The CCRB generally agreed with all seven recommendations of the audit.

Update

The CCRB reported that it has implemented all seven recommendations as follows:

- The CCRB continues to work to ensure that all substantiated cases are referred to the NYPD with sufficient time remaining on the 18-month statute of limitations for the NYPD to take action. Because the CCRB was closed for one month after the September 11th disaster (9/11-10/26), a percentage of substantiated cases referred to NYPD more than 14 months old increased from 13.7 percent during the second half of 2001 to 16.2 percent during the first half of 2002. However, from July 2002 to October 2002, the percentage of substantiated cases more than 14 months old was reduced to 11.1 percent.
- The CCRB met with the Mayor's Office of Operations, and as a result use of the "operational backlog" measured was discontinued in the fiscal year 2002 MMR.
- Since late October 2002, the CCRB has been able to access the following police databases: automated role call system (ARCS), special police radio incident network terminal (SPRINT), sprint police information access (SPIA), the aided index and report system, the criminal complaint report (UF 61) system, the motor vehicle accident index, and the Fleet Services Division database.
- The CCRB met with NYPD officials in November 2002 to discuss ways that CCRB can more quickly access records. NYPD promised to provide CCRB investigators with computer access to the automated detective bureau warrant system.

- The CCRB status report now reports each officer against whom the CCRB substantiated allegations, the board's disciplinary recommendation and any disciplinary action taken by the NYPD.
- The CCRB has reminded supervisors and managers of the agency's time-triggered review procedures.
- In October 2002, the CCRB drafted a computer program and produced a report that indicates by team each case for which an investigative case plan and or time-triggered case review should have been completed.

NEW YORK CITY COMPTROLLER'S OFFICE

Cost Allocation Plan Fiscal Year 2001

Report # FM02-138S

Comptroller's Audit Library # N/A

Issued: April 12, 2002

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 indirectly 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 2001.

Results

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

NEW YORK CITY DEPARTMENT OF CORRECTION (DOC)

Follow-up Audit of the Department of Correction Local Area Network

Audit # 7F02-162

Comptroller's Audit Library # 7391

Issued: June 24, 2002

Monetary Effect: None

Introduction

This follow-up audit determined the implementation status of recommendations made in a previous audit report of the Department of Correction (DOC), *Audit of the Department of Correction Local Area Network* (#7A98-140, issued June 15, 1998). The prior audit reported deficiencies in DOC's inventory control system and in its procedures for recording fixed assets, and problems related to virus protection and access security. The prior audit made seven recommendations.

Results

Four of the seven recommendations made in the previous audit report were implemented, and three were not implemented. Of the three recommendations that were not implemented, one dealt with procedures for recording fixed assets; another one dealt with controls for software installed by users without authorization; the last one dealt with access security to the network. In addition, this current audit found that DOC did not update its computer inventory procedures.

To address the issues that still exist, this follow-up audit recommended that DOC:

- Record new computer equipment on the Financial Management System (FMS), and remove retired or obsolete equipment from FMS.
- Review all accounts with special privileges to the Open VMS Operating System to determine the number of accounts that can be removed and either delete these accounts or assign them to specific users.
- Create a written policy that prevents the illegal copying or pirating of its software and software documentation and that prevents the installation of illegal software on the network.
- Review its software inventory and delete all illegal software.
- Review and update its inventory policies and procedures.

The Department agreed with four of the audit's five recommendations. Regarding the fifth recommendation, the Department indicated that it had reviewed the user accounts that had special privileges, but determined that none of the accounts could be deleted.

Update

DOC reported that it has implemented one recommendation and is in the process of implementing three recommendations as follows:

- DOC now sends the purchase orders for new equipment to the Agency Chief Contracting Officer (ACCO) who then enters the equipment in FMS. DOC reviews the FMS Fixed Asset Inventory report monthly.
- DOC plans to upgrade its network to Windows 2000, which will not allow users to install software. DOC anticipates upgrading the network by the end of Fiscal Year 2003.
- DOC is reviewing the accounts with special privileges to determine which ones can be removed.
- DOC is currently completing an inventory of all equipment at all locations.

DOC did not address the recommendation to create a written policy that prevents the illegal copying of software.

OFFICE OF THE CRIMINAL JUSTICE COORDINATOR (OCJC)

Audit Report on the Effectiveness of the New York City Domestic Violence Hotline

Audit # MJ02-100A

Comptroller's Audit Library # 7350

Issued: May 10, 2002

Monetary Effect: None

Introduction

This audit evaluated whether Safe Horizon, which operates the City's Domestic Violence Hotline, complies with its related contract with the City that requires calls be answered within 20 seconds and not be placed on hold without explicit supervisory approval. This audit also determined whether the Hotline provides accurate and useful telephone information to callers. The audit covered the period July 2001 through February 2002.

Domestic violence is defined as the use or threat of physical, emotional, sexual, or financial abuse to gain control over a partner in a primary relationship, either active or past, or over another family member. In 1994, New York City established a 24-hour, seven-day-a-week toll-free hotline for domestic violence victims. The City entered into a contract with Victim Services, subsequently renamed Safe Horizon, to operate the Domestic Violence Hotline (Hotline). Safe Horizon, a not-for-profit organization, acts as a domestic violence liaison for a number of City agencies that are responsible for providing certain services related to domestic violence. The Mayor's Office, through its Office of the Criminal Justice Coordinator, oversees the contract. The Hotline is staffed by advocates who provide callers with information, crisis counseling, safety planning, and referrals to the City's emergency shelter system and to non-residential services in the callers' neighborhoods.

In 1996, the Mayor's Office of Operations established the Citywide Customer Service Initiative that sets a telephone service standard. In its contract with the City, Safe Horizon advocates are required to answer Hotline calls within 20 seconds (equivalent to four rings) on average and are not allowed to put callers on hold without the approval of a Hotline supervisor.

Results

Our calls to the Hotline were answered within 20 seconds, as required by Safe Horizon's contract with the City. Furthermore, our calls were answered in 15 seconds (three rings) or less, which also meets the more stringent Citywide Customer Service Standard that calls be answered in no more than three rings. None of our test calls was placed on hold, in accordance with the contract. For the period July 2001 through January 2002, the reported average time to answer calls was 16 seconds.

In fiscal year 1996, the Hotline received 62,608 calls. In fiscal year 2001, the Hotline received 131,412 calls, a 110 percent increase. Safe Horizon officials attributed the dramatic increase to public education campaigns designed to increase awareness of domestic violence.

When callers obtain information from Hotline advocates, it is generally accurate, according to our test results. Also, all 46 referrals we received from advocates were appropriate: the agencies existed at the locations given by advocates and provided the services for which we were referred. The advocates were responsive to our needs. In addition, they had received training to carry out their responsibilities.

Overall, the Hotline appears to be doing a good job in answering calls promptly and in providing accurate information to callers. Since the audit found no material weaknesses in Safe Horizon's administration of the Domestic Violence Hotline, the report made no recommendations.

DEPARTMENT OF CULTURAL AFFAIRS (DCA)

Audit Report on the Financial and Operating Practices of the Snug Harbor Cultural Center

Audit # MD02-072A

Comptroller's Audit Library # 7398

Issued: June 24, 2002

Monetary Effect: None

Introduction

This audit determined whether the Snug Harbor Cultural Center (the Center) in Staten Island expended City funds in compliance with Department of Cultural Affairs (DCA) requirements, Comptroller's Directives, and its own internal procedures, and whether it had adequate and effective internal controls over its financial and operational processes.

The Center is one of 34 cultural institutions that receive financial support from the City of New York through DCA. The Center opened on September 12, 1976, to "provide performing and visual arts to a broad audience." DCA provides funds to the Center for security, maintenance, energy costs, and educational programs, and is responsible for overseeing the operations of the Center to ensure compliance with DCA requirements.

The Center received and spent a total of \$1,257,613 in City funds during Fiscal Year 2001—\$1,177,389 for Personal Service expenditures, \$65,224 for Other Than Personal Service expenditures, and \$15,000 for an event held on New Year's Eve called "First Night."

Results

The Center generally complied with DCA requirements, its own internal procedures, its bylaws, and Comptroller's Directives. In addition, the Center had adequate internal controls over its financial and operational processes. However, the audit identified these problems:

- The receipt and expenditure of \$15,000 of City funds used for a New Year's Eve event called "First Night" were recorded with other Center funds in the Center's First Night General Ledger rather than in the Center's City General Ledger.
- Four employees and the Chairman of the Board had relatives working at the Center. The practice of hiring relatives could be construed as a conflict of interest and gives the appearance that the relatives have an unfair advantage in the hiring process.
- Current and former Center employees have expressed concerns that the Center does not have enough security personnel to provide a safe environment for its employees and visitors. Our observations revealed that rangers were not posted at any of the Center's entrances or circulating the grounds that are accessible to the public.
- The time records for 38 (44%) of the 88 time records in our sample lacked a supervisor's signature, as required.
- In our review of 88 time records, there were 13 instances, involving four employees and totaling 91 hours, in which leave time used by employees was not deducted from their leave balances.

- Leave forms were not used in 33 (95%) of the 35 instances in which leave was taken.
- Department heads did not indicate the hours that they worked on their time records.
- There were no purchase requisitions for 90 (69%) of the 131 invoices we reviewed and purchase orders were not authorized by a Center official for 58 (44%) purchase orders.

The audit made 15 recommendations to Center officials, the most significant of which were that the Center should:

- Ensure that all City revenues and expenditures are properly recorded in the Center's City General Ledger.
- Develop detailed written regulations concerning the permissibility of hiring relatives of employees or Board members. These regulations should be discussed and approved by the Center's Board.
- Ensure that enough funds are allocated within its budget to cover adequate security measures, including the monitoring of the Center's grounds, entrances, parking lots, and buildings.
- Ensure that time records are reviewed and signed by a supervisor.

Center officials agreed with the audit's findings and have taken steps to implement the audit's recommendations.

Update

The Center reported that it has fully implemented 14 recommendations, including the following:

- The Center has installed a new accounting software which better tracks all funding sources, including City funds.
- The Center has implemented a written policy that prevents the hiring of employee relatives.
- The Center has hired a Security Manager with over 20 years of experience with the NYPD.
- The Director of each department signs all staff timesheets and the Acting CEO signs all Director timesheets prior to being submitted to payroll.
- All leave hours have been corrected.

The Center has partially implemented one recommendation (#13). The Controller has given verbal instructions to the Directors on standardized purchasing procedures. A written manual will soon be completed.

DEPARTMENT OF CULTURAL AFFAIRS (DCA)

Audit Report on the Small Procurement and Vouchering Practices Of the Department of Cultural Affairs

Audit # MJ02-115A

Comptroller's Audit Library # 7382

Issued: June 17, 2002

Monetary Effect: None

Introduction

This audit determined whether the New York City Department of Cultural Affairs (DCA) complied with the New York City Procurement Policy Board (PPB) Rules and Comptroller's directives governing small procurement and vouchering practices. The audit covered Fiscal Year 2001.

The mission of the New York City Department of Cultural Affairs (DCA) is to sustain and promote the cultural life of the City. DCA represents and serves nonprofit cultural organizations and public-oriented science and humanities institutions. The department is an advocate and source of funding for those institutions. Among other things, it provides operational support to institutions in City-owned facilities. Rules governing an agency's handling of small procurements are found in the City's Procurement Policy Board (PPB) Rules and the Comptroller's Directives. PPB Rules define small procurements as purchases of: (1) goods and services of not more than \$25,000; (2) construction and construction-related services of not more than \$50,000; and (3) information technology of not more than \$100,000.

DCA spent \$1,059,084 for Other Than Personal Services (OTPS) direct agency purchases in Fiscal Year 2001. Of this amount, it spent \$471,691 on small procurements, consisting of 134 purchase orders totaling \$403,895, two small contracts totaling \$37,211, and 112 miscellaneous vouchers totaling \$30,585.

Results

In some areas, DCA complied with PPB Rules and Comptroller's directives when processing small purchases. Specifically, DCA charged purchases to the correct object codes, used requirement contracts when available, and properly authorized and used miscellaneous vouchers.

However, DCA had no type of purchase requisitions (as recommended by Comptroller's Directive #24) in the purchasing files for 13 of the 26 purchase orders reviewed; DCA failed to use a competitive sealed bidding process to award a procurement in excess of the small purchase \$25,000 threshold; invoices were not marked "Vouchered" when payments were made; DCA files contained no evidence that bids were solicited from the required minimum of five vendors; and the voucher packages for 25 out of 26 purchases had inadequate documentation to support payments to vendors.

The report made 10 recommendations, including that DCA:

- Follow the competitive solicitation requirements in the PPB Rules for any procurement that exceeds the small purchase limits.
- Ensure that purchase orders contain adequate specifications to document the exact terms of purchases.
- Solicit a minimum of five bids for all small purchases exceeding \$2,500, as required by the PPB Rules.
- Ensure that it receives a receiving report for all goods received.
- Reconcile receiving reports to purchase orders and invoices as part of each Pre-Audit Certification required by Comptroller's Directive #24 before making payments to vendors.

In its response, DCA generally agreed with the audit's recommendations. However, the agency disagreed with the finding that it failed to obtain competitive sealed bids for a procurement that exceeded small purchase limits.

Update

DCA did not provide follow-up information.

DEPARTMENT OF DESIGN AND CONSTRUCTION (DDC)

Audit Report On The Development And Implementation Of The Contract Data System By The Department Of Design And Construction

Audit # 7A02-063

Comptroller's Audit Library # 7364

Issued: June 5, 2002

Monetary Effect: None

Introduction

The Department of Design and Construction (DDC) uses in-house resources and private consultants and contractors to provide design and construction services related to: streets and highways; sewers; water mains; correctional and court facilities; cultural institutions; libraries; schools; and other public buildings, facilities, and structures.

DDC hired Deloitte & Touche Consulting Group/DRT Systems (DRT) in April 1998 to design and develop its Contract Data System (CDS), a customized computer application to centrally maintain information on all DDC contracts. CDS assists DDC in managing the City's capital commitment plan, project schedules, and budgets. Phase I of CDS's development, implemented in November 1999, provides links from contract data to project and payment data in other DDC systems (i.e., the Project INFO, Contract Ledger, and PAYLOG systems). Phase II, implemented in June 2001, adds functionality related to lists of pre-qualified vendors and awarded and renewed contracts. Preliminary planning for Phase III began in November 2001 and will include vendor performance tracking and enhanced historical information on contracts.

The audit objectives were to determine whether:

- DDC followed a structured methodology for developing CDS.
- CDS meets users' needs.
- CDS allows for future enhancements and upgrades.
- Users are satisfied with the system.

Results

DDC followed a structured methodology for developing CDS. The system, as developed, allows for future enhancements and upgrades. Phases I and II meet user needs, and users are generally satisfied with the system. However, DDC did not remove accounts of four inactive users from the system as required by Comptroller's Directive 18. To address this issue, the report recommended that DDC develop and implement a procedure to terminate inactive user accounts.

DDC agreed with the audit's findings and recommendation.

Update

DDC reported that it has implemented the audit's recommendation.

NEW YORK CITY BOARD OF EDUCATION (BOE)

Audit of School Bus Drivers Employed by Private Companies under Contract with the New York City Board of Education

Audit # MD02-065A

Comptroller's Audit Library # 7353

Issued: May 20, 2002

Monetary Effect: Not Applicable

Introduction

This audit evaluated whether the New York City Board of Education's (Board) Office of Pupil Transportation (OPT) ensured that school bus drivers met Board and New York State driver qualifications.

OPT is responsible for providing transportation services for eligible public school children in kindergarten through grade six and, as required, special education students. As of August 2001, OPT had contracts with 27 private school bus companies to provide transportation for approximately 170,000 school children in both general and special education. These companies employed 6,135 bus drivers. The audit covered school bus drivers hired during fiscal years 2000 and 2001 and still active as of August 29, 2001.

The New York State Department of Motor Vehicles (DMV) qualifies individuals to operate school buses by awarding them "19-A status," as required by the New York State Vehicle and Traffic Law. OPT's contract with its school bus carriers requires that each school bus driver be 19-A-certified. OPT also requires that school bus carriers ensure that all new drivers have, and that the Board receives, documentation of the following:

- A medical examination.
- Three letters of reference.
- A Commercial Drivers License.
- A completed DMV abstract of the driver's vehicle operating record.
- A pre-employment drug test.
- A completed fingerprinting process referral form from the Board's Office of Personnel Security.
- Specialized school-bus-driver training.
- A Final 19-A qualification letter.

In addition, the Board performs a criminal check in the 13 counties surrounding New York City for all potential school bus drivers before they are allowed to operate school buses.

Results

The school bus drivers in the audit sample from the five largest carriers were in compliance with 19-A regulations regarding the allowable maximum number of points or accidents before and after they were hired. The school bus drivers in the audit sample from the two largest carriers met most Board and 19-A driver qualifications.

However, some 19-A required pre-employment and post-employment records were missing or not properly dated; and some school bus driver training classes and medical exams were not conducted on a timely basis,

The audit made the following two recommendations:

- OPT should reinforce its contract provision that requires that school bus drivers meet 19-A requirements.
- OPT should reinforce its contract provision that carriers' drivers receive the required training and medical examinations in a timely manner.

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

Update

OPT reported that both of the audit's recommendations have been implemented.

NEW YORK CITY DEPARTMENT OF EMPLOYMENT (DOE)

Follow-Up Audit Report of the Department of Employment LAN/WAN

Audit # 7F02-110

Comptroller's Audit Library # 7344

Issued: April 17, 2002

Monetary Effect: None

Introduction

This follow-up audit reviewed the implementation status of 19 recommendations made in a previous audit report on the Department of Employment (DOE), *Audit Report of the Department of Employment Local Area Network/ Wide Area Network* (Audit No.7A97-124, issued June 20, 1997). The earlier audit evaluated management's control over DOE's local area network (LAN) and wide area network (WAN) and found weaknesses in the areas of physical security, logical security, department operations, and disaster recovery planning. The current audit discussed the recommendations and the current implementation status of those recommendations made in the earlier report.

Results

All of the 19 recommendations made in the prior report regarding physical and logical security, department operations, and disaster recovery planning were implemented. However, even though DOE implemented the prior audit's recommendation that they develop a disaster recovery plan, specific elements of the plan are not in compliance with Comptroller's Directive #18. DOE does not test and update its disaster recovery plan annually. Annual testing of the plan is essential to ensure it is current and relevant so that it will function as intended in an emergency. The plan does not identify an alternate processing site where DOE could resume critical data processing operations in the event of a disaster at the Data Center. Moreover, the plan does not indicate under what circumstances the agency would declare a disaster. Also, DOE has not regularly updated its inventory of workstations, network hardware and software, and other system components. And finally, DOE has not updated its Network Operations Manual since June 1998 to take into account changes in its operations.

To address these issues, the report made five new recommendations. DOE should: update and conduct comprehensive tests of the disaster recovery plan annually; arrange for an alternate processing site; indicate and formalize under what circumstances the agency would declare a disaster; update its inventory of workstations, network hardware and software, and other system components as needed; and periodically update its Network Operations Manual to take into account changes in its operations.

DOE agreed with all of the audit's findings and recommendations.

Update

DOE reported that it has fully implemented three recommendations and partially implemented two recommendations as follows:

- DOE's Information Management (IM) Unit is currently updating its Disaster Recovery Plan. Partial testing on the LAN system was done in October 2002. Part II, the testing of the WAN system, will be done in January 2003.
- The IM unit is currently conducting research on an alternate processing site.
- The IM unit has incorporated the Disaster Declaration Unit into DOE's Disaster Recovery Plan.
- DOE has updated its inventory of workstations, network hardware, software, and system components.
- DOE has updated its Network Operations Manual.

DEPARTMENT OF ENVIRONMENTAL PROTECTION (DEP)

Audit Report On The Department Of Environmental Protection Data Center

Audit # 7A02-069

Comptroller's Audit Library # 7354

Issued: May 21, 2002

Monetary Effect: None

Introduction

This audit determined whether DEP's central data center has adequate physical and system security and that computer operations and contingency plans are adequate and have been tested in compliance with Comptroller's Directive #18, the City Department of Investigation's (DOI) *Standards for Inventory Control and Management*, and *Federal Information Processing Standards (FIPS)*.

The DEP central data center, located at DEP headquarters, supports the main local area network (LAN). The central data center also connects to smaller bureau data centers within the agency, such as those for the Bureaus of Wastewater Treatment, Environmental Engineering, and Water and Sewer Operations. Users can connect to LAN applications that include the Automated Complaint System and the Facilities Information Tracking system.

The DEP Management Information System division (MIS) is responsible for developing, maintaining, and supporting application software and for operating the data center.

Results

The DEP central data center is not in compliance with certain requirements of Directive 18, FIPS, and DOI inventory control policies. Specifically, the data center is not monitored 24 hours a day, and a fire extinguishing system has not been installed. In addition, the log-on access of 81 inactive or former employees has not been disabled, and DEP has no procedures to document, review, and follow up on network-security access violations. Moreover, proper inventory procedures have not been established to ensure that all computer equipment is accounted for, and DEP has not installed filtering software to reduce the risk of users accessing inappropriate web sites.

The report contains 14 recommendations, the most important of which are listed below. DEP management should:

- Restrict access to the central data center to authorized personnel by installing a swipe card system or other access control device.
- Test the data center's UPS equipment regularly.
- Identify and terminate inactive user accounts.
- Require that all server passwords be changed every 42 days.
- Complete and formally approve a disaster recovery plan (for the network and software). Once the plan is completed and approved, DEP should periodically test it and document the results

to ensure that the plan functions as intended and is adequate to quickly resume computer operations without material loss of data.

- Install a security filtering system or firewall on all PCs with Internet access.

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

Update

DEP reported that it has implemented the following six recommendations:

- DEP has identified and terminated inactive user accounts.
- The system locks out users after five unsuccessful attempts to log on to the system.
- DEP has reduced the number of administrators permitted to have unlimited network access to six persons.
- Each server has a unique password.
- All local server passwords must be changed every 42 days.
- DEP has eliminated 23 of the 476 generic accounts.

DEP reported that it is in the process of implementing the remaining eight recommendations.

DEPARTMENT OF ENVIRONMENTAL PROTECTION (DEP)

Audit Report on the Payroll and Timekeeping Practices of the Department of Environmental Protection

Audit # FP01-111A

Comptroller's Audit Library # 7319

Issued: December 19, 2001

Monetary Effect: None

Introduction

The Department of Environmental Protection (DEP) is responsible for protecting and maintaining the water supply for nine million City and upstate residents, and for treating wastewater at 23 water pollution control facilities in the five boroughs and the upstate watershed region. DEP transports an average of 1.3 billion gallons of drinking water and treats approximately 1.4 billion gallons of wastewater daily. DEP is also responsible for meeting governmental air-quality standards, enforcing asbestos abatement rules, responding to hazardous material emergencies, and conducting site investigations and toxic site remediation. During fiscal year 2000, DEP's Personal Services expenditures totaled \$298,426,727 for its 251 managerial and 5,365 non-managerial employees.

This audit determined whether DEP complied with certain aspects of its internal office procedures, applicable Comptroller's Directives, and City laws, policies, and regulations with regard to payroll, personnel and timekeeping. This audit covered fiscal year 2000—July 1, 1999 through June 30, 2000.

Results

DEP properly segregated its personnel, timekeeping, and payroll duties; all employees sampled were bona fide; salaries paid were within civil service title salary ranges; pay increases were authorized; and, employees generally adhered to Citywide Time and Leave Regulations.

However, DEP's timekeeping and payroll practices did not always comply with provisions of Comptroller's Directive 13, Citywide Time and Leave regulations, and Payroll Management System (PMS) guidelines. Specifically, the audit found missing and incomplete time records and discrepancies between employee time records and PMS records. In addition, employees did not always sign for their paychecks, were allowed to carry excess annual leave, and their unused compensatory time balances were not converted to sick leave as required after 120 days. Finally, eight of 10 sampled employees who left City service were incorrectly paid.

The report made 15 recommendations, including that DEP adjust affected employees' leave balances in PMS to correct errors found; ensure that all employees who are required to sign-in are actually doing so each day; ensure that timekeeping records are consistently reviewed and approved to reduce errors and to ensure time records are complete; enforce the City's Time and Leave Regulations by limiting annual leave balances to twice an employee's annual accrual rate; adhere to the City's Time and Leave Regulations requiring employees to use compensatory time within 120 days after it is earned; ensure that all employees separating from City service are paid in accordance with City guidelines; and, ensure that all employees receiving paychecks sign the PMS 319 Report next to their preprinted names.

To address the conditions noted in the report, DEP stated that it: conducted additional timekeeper training; is modifying its employee manual to include better information on leave balance limits; will more closely monitor employee leave balances; will correct the under- and overpayments; and, will take steps to improve its paycheck distribution process.

Update

DEP reported that it has taken steps to address the audit recommendations, including:

- Having a Payroll Auditor monitor compliance with payroll distribution regulations and identify problem areas.
- Notifying employees of annual leave carry-over limitations.
- Placing emphasis on the necessity of carry-over authorizations.
- Requiring documentation for employees who designate others to pick up their paychecks.

DEPARTMENT OF ENVIRONMENTAL PROTECTION (DEP)

Audit Report on the Effectiveness of the Department of Environmental Protection's Help Center Hotline

Audit # MD02-130A

Comptroller's Audit Library # 7373

Issued: June 13, 2002

Monetary Effect: None

Introduction

This audit evaluated whether the New York City Department of Environmental Protection (DEP) Help Center is in compliance with the Citywide Standards for Customer Service and whether it forwards useful and accurate information to DEP field divisions so that they can quickly and efficiently resolve customer complaints. The scope of the audit was Fiscal Years 2001 and 2002.

In 1968, the DEP established a 24-hour Help Center Hotline to enable the public and other government agencies to submit complaints and requests for service regarding environmental matters. To ensure adequate service to persons who call City agencies, the Mayor's Office of Operations established Citywide Phone Standards for Customer Service (Citywide Standards) requiring that: all calls be answered within three rings; a standard telephone greeting be used that includes the name of the agency, the person answering, and the service provided; no calls be kept "on hold" by automated telephone answering systems for more than two minutes; callers not satisfied be able to speak to a supervisor; and agencies respond to all caller inquiries within 10 working days.

According to the DEP Annual Call and Queue Statistic reports, during calendar year 2001 the Help Center received 289,754 phone calls.

Results

The DEP Help Center generally complies with the Citywide Phone Standards for Customer Service set by the Mayor's Office of Operations. Given the volume of calls it receives, DEP's Help Center Hotline is doing a good job in answering complaints and requests. However, for the areas in which 100 percent compliance was not achieved, DEP needs to periodically test performance to make sure it does not deteriorate.

Accordingly, this audit made six recommendations to DEP officials, the most significant of which were:

- DEP should periodically test whether telephone calls are answered with the standard greeting by making telephone calls to the Help Center.
- DEP should either track the amount of time callers are kept on hold, or periodically test the automated answering system by making telephone calls to the Help Center to determine whether the hold time is more than two minutes.

- DEP should periodically survey all division supervisors to determine whether they are satisfied with the information provided to them by the Help Center.

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

Update

DEP reported that it is implementing five of the six audit recommendations, including the following:

- DEP's managerial staff is placing a greater emphasis on monitoring its customer service productivity.
- DEP's supervisory staff has initiated a procedure of conducting test calls to monitor customer service performance.
- DEP conducts periodic testing to monitor the amount of time callers are kept on hold.
- DEP is currently preparing a survey form for all division supervisors to determine whether they are satisfied with the information provided by the Help Center.

DEP, however, does not plan to implement the recommendation to ensure that all telephone inquiries are investigated within 10 working days because the responsibility to review or contact the public is not within the scope of DEP's Help Center's jurisdiction.

DEPARTMENT OF FINANCE (DOF)

Follow-up Audit on the New York City Department of Finance Small Procurement and Vouchering Practices

Audit # FR02-177F

Comptroller's Audit Library # 7392

Issued: June 25, 2002

Monetary Effect: None

Introduction

This follow-up audit determined whether the New York City Department of Finance (Finance) implemented the 12 recommendations made in a previous audit report, *Audit Report on The Department of Finance Small Procurement and Vouchering Practices* (Audit No. FR98-096A, issued May 1, 1998). The previous audit evaluated Finance's compliance with Procurement Policy Board (PPB) Rules, Comptroller's Directives, and other City guidelines pertaining to its small procurement and vouchering practices.

The previous audit found that Finance generally complied with PPB rules and Comptroller's Directives when using purchase orders. However, Finance's small procurement operation did not comply with provisions of the City Charter, PPB rules and Comptroller's Directives related to small purchase contracts and miscellaneous vouchers. Specifically: Finance split purchases made from eight vendors into 21 small purchase contracts, thereby circumventing the competitive bidding requirements of the PPB rules; paid for travel expenses that did not meet the requirements of Comptroller's Directive #6; and failed to determine the lowest prevailing market price for 20 purchases made through New York State contracts, as required by PPB rules. Furthermore, Finance charged incorrect object codes for four small contracts, nine purchase orders and three miscellaneous vouchers.

This follow-up audit concluded that of the 12 recommendations made in the previous report, five have been implemented, two have not been implemented, and five are not applicable. The two recommendations that were not implemented dealt with monitoring employees' travel expenses and disallowing those not in compliance with Comptroller's Directive #6, and using the correct object codes for Finance's purchases.

To address the problems that still exist, the audit recommended that Finance should:

- Comply with Comptroller's Directive #6 when reimbursing employees for work-related travel expenses, and
- Carefully review the Chart of Accounts and use the correct object codes for its expenses.

In its response, Finance stated that it agrees with and will implement the report's recommendations.

Update

DOF reported that it has implemented both of the audit's recommendations.

DEPARTMENT OF FINANCE (DOF)

Audit Report on the Department of Finance's Collection of Penalties Imposed in Environmental Control Board Cases

Audit # MG02-118A

Comptroller's Audit Library # 7400

Issued: June 25, 2002

Monetary Effect: Potential Revenue: \$26.2 million

Introduction

The Department of Finance (DOF) administers and enforces New York City business, property, and excise tax laws; collects parking ticket fines; provides a forum for contesting these fines; and handles the final-stage collection efforts on Environmental Control Board cases.

The Environmental Control Board (ECB) of the Department of Environmental Protection makes the initial efforts to collect penalties for Notices of Violations (NOVs) issued by City agencies such as the Departments of Sanitation, Transportation, Police, Health, Buildings, Fire, and Environmental Protection. After providing a forum for contesting these NOVs and mailing at least two request-for-payment notices to the respondents, ECB forwards the cases to DOF for final penalty collection efforts. DOF has handled final-stage collection efforts on ECB cases since July 1996. In Fiscal Year 2001, DOF collected about \$1.9 million in revenue on ECB cases.

In a January 25, 2000 audit report (*Audit Report on the Case Processing Practices of the Department of Environmental Protection's Environmental Control Board*, MG99-082A) that focused primarily on the case processing and penalty collection efforts of the ECB, the Comptroller's Office also recommended that the Department of Finance refer or sell older ECB cases to private collection agencies. This audit report follows up on this recommendation and reviews DOF penalty collection efforts on ECB cases that were collectible during Fiscal Year 2001.

In this review, our auditors examined a randomly selected sample of 150 ECB cases out of the 17,436 cases forwarded by ECB on computer tapes to DOF during Fiscal Year 2001. We reviewed information on these cases in the ECB Adjudication Information Management System (AIMS) and in the DOF Computer-Assisted Collection System (CACS).

Results

The audit concluded that DOF has not seriously addressed the recommendation of the previous audit that DOF refer or sell its older ECB cases to a private collection agency. The audit also concluded that DOF itself has made minimal collection efforts on a large proportion of its ECB cases. Our auditors estimated that an enhanced DOF collection effort on ECB cases could help the City collect \$26.2 million in additional revenue.

The two main types of ECB cases for which DOF has final-stage collection responsibilities are AVPS and BARAMIS cases. The acronyms “AVPS” and “BARAMIS” refer to computer systems that ECB used until July 1999 to track most of its cases. Although these systems were replaced by the AIMS system, the acronyms are still used to distinguish cases that do not require corrective action by the respondent (the AVPS cases) from those that do require such action (the BARAMIS cases).

DOF officials informed our auditors that they generally did not work on AVPS cases because of a shortage of DOF staff. DOF’s decision to virtually ignore AVPS cases means that DOF made almost no effort to collect more than \$452 million in AVPS case penalties--\$80 million owed on AVPS cases that were docketed in Fiscal Year 2001 and \$372 million owed on AVPS cases that were more than one year old and still collectible during Fiscal Year 2001. Our auditors estimated that 10 percent of the \$80 million in current AVPS cases, or \$8.0 million, could have been collected through a concerted effort by DOF, along with three percent of the \$372 million in older AVPS cases, or \$11.1 million.

DOF works primarily on current BARAMIS cases. Cases that are more than one year old are generally placed automatically in an inactive status within CACS. Based on our review of 150 randomly selected cases out of the 17,436 BARAMIS cases that ECB referred to DOF during Fiscal Year 2001, our auditors estimated that DOF did not work on over 68 percent of these cases. Our auditors projected the value of these unworked Fiscal Year 2001 BARAMIS cases to have been about \$24.7 million (68.67% of the \$36 million in Fiscal Year 2001 BARAMIS penalties). The audit estimated that 10 percent of the \$24.7 million in unworked Fiscal Year 2001 BARAMIS cases could have been collected with a more substantial effort by DOF, or over \$2.4 million. In addition, the audit estimated that by not working on the older BARAMIS cases, DOF ignored \$158 million in penalties, and that three percent of these cases could have been collected with an enhanced effort by DOF, or over \$4.7 million.

Adding the additional potential revenue estimates of approximately \$8.0 million in current AVPS penalties, \$11.1 million in older AVPS penalties, \$2.4 million in current BARAMIS penalties, and \$4.7 million in older BARAMIS penalties, our auditors derived a conservative estimate of \$26.2 million in additional ECB case penalties that could have been collected with a more substantial effort by DOF during Fiscal Year 2001.

Had the \$372 million in AVPS cases and the \$158 million in BARAMIS cases that were more than one year old been referred to a private collection agency, as recommended during the previous audit, then our auditors estimated that at least \$15.9 million (3% of \$530 million) could have been collected on these cases during Fiscal Year 2001. Even after providing the contractor a 20 percent commission on this amount, the City still could have realized \$12.7 million in additional revenue through this approach.

The audit also determined that DOF’s CACS system data were not consistently updated to include case status changes noted in ECB’s AIMS system, and that required request-for-payment notices were often not sent by DOF.

The audit recommended that DOF significantly enhance its efforts to collect payments on ECB cases, refer its older ECB cases to a private collection agency, closely monitor case information in CACS, and consistently send required request-for-payment notices to respondents.

In its written response to the audit's findings and recommendations, DOF stated that our revenue collection estimates were too high, but stated that the Department "agree[s] with the draft audit's main conclusion that the collection rate on ECB debt has been unacceptably low" and that "the draft contains useful observations and recommendations that will help Finance improve its efforts to collect delinquent ECB debt."

Update

DOF reported that it has implemented the following three recommendations:

- DOF has increased its collection of revenue for BARAMIS cases during the first two months of Fiscal Year 2003.
- DOF has improved its communication with ECB on manual cases.
- The Law Department now reports the status of undocketed cases that DOF's legal office has referred to the Law Department for individual case docketing.

DOF also reported that it is in the process of implementing the remaining five recommendations, including:

- DOF's Collections/Data Management group is working with the Management Information Systems unit on getting computer tapes from ECB in order to analyze the collectibility of AVPS violations.
- During October 2002, Dun and Bradstreet, with help from ECB, mailed requests for payments to 39,938 debtors on about 80,000 AVPS violations with a judgment totaling \$18,909,490. DOF will follow-up on payment response.
- DOF is in the process of making programming changes that would allow large-sale referrals to a collection agency. DOF has made a pilot referral of 75 violations to a collection agency so that it may become familiar with collection on ECB debt.

DEPARTMENT OF FINANCE (DOF)

Audit Report on Department of Finance's Controls and Monitoring of the Neighborhood Payment Center Program

Audit # MH01-180A

Comptroller's Audit Library # 7379

Issued: June 17, 2002

Monetary Effect: None

Introduction

In September 1997, the Department of Finance (DOF) entered into a contract with Cashpoint Inc. (Cashpoint) to provide Neighborhood Payment Centers (NPCs) to accept cash, checks, or money orders in payment of funds that customers owe the City of New York for parking summonses, real estate taxes, and water and sewer bills. DOF does not pay Cashpoint for this service. When a customer pays a bill at an NPC, the customer pays a \$1.00 convenience fee for each transaction. As of July 2001, there were 415 NPCs throughout the City. In Fiscal Year 2001, the period covered by the audit, NPCs collected total payments of \$37.2 million for the City and processed 383,814 transactions for parking summonses, real estate taxes, and water bills.

The objectives of the audit were to determine whether payments collected at the Neighborhood Payment Centers are accurately recorded and promptly deposited in DOF accounts; whether DOF maintains adequate internal controls over payments accepted and remitted by Neighborhood Payment Centers and monitors the individual Neighborhood Payment Centers to ensure that the program provides adequate and effective services to its customers; and whether Cashpoint complies with certain provisions of its contract with the city.

Results

The audit concluded that overall, DOF has effective controls over the NPC program. The collection of payments for summonses is accurately recorded in the City Summons Tracking and Accounts Receivable System and daily collections are promptly deposited. In addition, DOF performs daily reconciliations of the moneys collected. NPCs are accessible to customers throughout the five boroughs, and Cashpoint is in compliance with contract requirements regarding timely deposits, record retention, submission of insurance certificates and fidelity bonds, receipt information, and with the provision regarding technical assistance and report delivery.

However, the audit noted several weaknesses, including the following:

- DOF's monitoring of the NPC program does not reach the level of the individual NPC. DOF staff does not visit or call the NPCs to verify whether services required in the contract are provided; 5.6 percent of the NPCs sampled were unaware that their sites accepted payments for parking summonses.
- DOF did not comply with Procurement Policy Board rules when it approved, in August 2000, a fee increase from \$.75 to \$1.00 per transaction.
- Cashpoint's Disaster Recovery Plan for its information systems did not include some items, such as a priority list for reinstating each component of Cashpoint's information systems.
- There is no mechanism at DOF that quantifies and categorizes the customer complaints it receives with regard to the NPC sites.

The audit resulted in eight recommendations, including the following major recommendations. DOF should:

- Obtain from Cashpoint a listing of all NPCs that shows their six-month or yearly dollar volume of transactions, and canvass those with the lowest number of transactions to determine

whether employees of those NPCs are aware that they should accept payments for parking summonses and real estate tax bills.

- Consider logging complaint calls regarding NPCs and the nature of the complaints on a trial basis to determine whether there are trends requiring specific remedies.
- Follow PPB rules when renewing or re-bidding the contract. The value of the contract to the contractor should be taken into consideration.

DOF agreed with the audit's recommendations, but disagreed with the finding that DOF violated PPB rules when it approved a fee increase.

Update

DOF reported that it has implemented seven recommendations, including:

- Cashpoint has instituted a quarterly outreach program so that all personnel at the NPCs are fully trained and aware that the centers accept payments for parking violations and real estate taxes.
- Cashpoint has begun logging in NPC complaints at its customer service telephone center. No trends have been established as yet, which require remedies.
- DOF has submitted the completed Vendex annual evaluation form.
- DOF has reviewed the current insurance coverage and has determined that it does not need to be increased.

DOF agrees with the recommendation that PPB rules should be followed at all times. However, DOF continues to disagree with the audit finding that it did not follow PPB rules.

DEPARTMENT OF FINANCE (DOF)

Audit Report on the Internal Controls Over Bail Refunds by the Client Services Unit of the
New York City Department of Finance

Audit # MJ02-081A

Comptroller's Audit Library # 7356

Issued: May 30, 2002

Monetary Effect: None

Introduction

This audit determined whether the New York City Department of Finance (DOF) remits bail refunds in a timely manner and appropriately deducts the administrative fee as ordered by the courts. The audit covered Fiscal Years 2001 and 2002.

DOF administers and enforces tax laws; collects taxes, judgments, and other charges; and provides collection enforcement services for court-ordered private sector creditors. One of the court-ordered services DOF provides is maintaining bail money on behalf of the courts. This service is performed through its Client Services Bail Unit (Unit). DOF has a contract with JPMorgan Chase (Chase) to maintain a lockbox operation for the collection of bail funds. Courts and Department of Correction facilities remit the bail funds directly to a lockbox maintained by Chase, which in turn deposits the funds into a DOF bank account (Common Trust) also maintained at Chase. DOF procedures call for the agency to issue a bail refund check within two weeks after receiving the court order authorizing the release of the bail funds. Under §99M of the General Municipal Law, DOF is entitled to an administrative fee of three percent of the bail refund amount for cases that result in convictions.

During Fiscal Year 2001, Chase processed \$45.7 million in bail receipts representing 30,090 cases.

Results

DOF remitted bail refunds in a timely manner. For the 128 sampled cases from August 2001, DOF remitted refunds to sureties (persons who post bail for defendants) within four days, on average, after receiving the court orders. DOF also deducted the three percent administrative fee from the bail refunds for all sampled cases in which the courts ordered it. On the whole, the Unit's internal control structure provided adequate accountability over bail refunds in that transactions were properly authorized and recorded promptly, and key duties for authorizing, processing, recording, and reviewing transactions were adequately segregated among individuals.

However, the audit found that DOF did not perform proper bank reconciliations of its Common Trust account in accordance with City Comptroller's Directive #11. For the period January through June 2001, DOF's reconciliations revealed an average unreconciled difference of \$878,387 between its books and the bank's records. The auditors reviewed the supporting documentation for DOF's May 2001 reconciliation and found that DOF made a number of errors. The auditors' analysis revealed that the unreconciled difference for that month should have been \$390,582—\$237,131 less than the difference DOF recorded in its reconciliation.

The report made three recommendations to DOF, specifically, that it should:

- Investigate and resolve the difference between its books and the bank's records for the Common Trust account.
- Perform monthly bank reconciliations for all its accounts in accordance with Comptroller's Directive #11, including, at a minimum, calculations of the adjusted bank and book balances.
- Ensure that any differences identified in its bank reconciliations are properly investigated and resolved within three months. The agency should adjust its books, subject to the review and approval of an appropriate official, to account for any unresolved differences.

In its response, DOF agreed with the audit's findings and recommendations.

Update

DOF reported that it has implemented two recommendations and is in the process of implementing the remaining recommendation as follows:

- DOF is in the process of resolving differences between its books and the bank's records for the Common Trust Account.
- DOF has performed bank reconciliations for disregarding prior-paid discrepancies -- DOF is in the process of reconciling or writing off the discrepancies.
- DOF has created a policy for writing off unreconcilable differences in its bank reconciliations and was to be implemented as of January 2003.

NEW YORK CITY FIRE DEPARTMENT (FDNY)

Follow-Up Report on the New York City Fire Department Arson Information Management System Data Center (AIMS)

Audit # 7F 02-161

Comptroller's Audit Library # 7367

Issued: May 31, 2002

Monetary Effect: None

Introduction

This follow-up audit determined the implementation status of 22 recommendations made in the previous audit, *Audit Report of the Internal Controls for the New York City Fire Department's Arson Information Management System Data Center* (Audit No. 7A95-140, issued January 4, 1996). The previous audit evaluated FDNY's control over the Arson Information Management System (AIMS) Data Center and found weaknesses in areas of data and physical security, program change control, computer operations, and backup/contingency planning. In 1997, the Bureau of Fire Information Microcomputer System (BFIS) replaced AIMS and relocated its data center to a new site in Brooklyn. This follow-up audit discusses the recommendations made in the previous audit on the AIMS data center and how these recommendations have been addressed in the BFIS data center. Audit fieldwork began in March 2002 and ended in April 2002.

Results

Of the 22 recommendations made in the previous audit, 15 were implemented, two were partially implemented, three were not implemented, and two are no longer applicable.

The partially implemented recommendations dealt with the elimination of inactive user IDs and the cleanliness of the data center. BFI does not eliminate retired users, and there is still unused equipment that has not been moved. The recommendations that are still not implemented deal with the installation of smoke detectors, the need to test the disaster recovery plan, and the need to separate the programming and system functions.

To address these issues, the report made five new recommendations. FDNY should: identify and terminate inactive user accounts, install smoke detector in the computer room, test the disaster recovery plan, remove unused equipment and tape cartridges from computer room, and develop and implement compensating controls to ensure that only authorized changes are made to the system.

FDNY agreed with the audit's findings and recommendations; it has implemented three of the five recommendations and plans to implement the other two.

Update

FDNY reported that it has implemented all five recommendations as follows:

- The Fire Marshal updates the user accounts on a monthly basis.

- FDNY installed a smoke detector in the computer room on May 20, 2002.
- FDNY has successfully conducted two unannounced tests on the disaster recovery plan.
- Unused equipment and tape cartridges have been removed from the computer room.
- FDNY has limited the number of staff with system access control. All change requests must be approved.

DEPARTMENT OF HEALTH (DOH)

Audit Report on the Shelter Conditions And Adoption Efforts of the Center for Animal Care and Control, New York City Department of Health

Audit # ME01-109A

Comptroller's Audit Library # 7365

Issued: June 6, 2002

Monetary Effect: None

Introduction

The audit assessed two aspects of the Center for Animal Care and Control's (CACC) services: the conditions under which animals are sheltered in CACC facilities; and the level and success of CACC's efforts in promoting the adoption of animals from its shelters. CACC is a not-for-profit corporation that has its own contract with the Department of Health (DOH) for the purpose of providing animal care and control services in the City of New York. CACC handles approximately 60,000 animals that come into its shelter system each year at five facilities—three full-service shelters in Manhattan, Brooklyn, and Staten Island, and two small receiving centers in Queens and the Bronx.

During calendar year 2000, CACC had a total budget from DOH of approximately \$8.3 million. (DOH provided approximately \$8 million; the remaining \$300,000 was funded from CACC's shelter revenues.) CACC also has an administrative office in downtown Manhattan. During calendar year 2000, CACC employed approximately 170 people for its shelter, administrative, and executive functions.

Results

CACC does not provide humane conditions for all of the animals in its shelters and has not made aggressive efforts to increase adoptions of homeless animals. Site visits to the shelters revealed inadequacies, evidence that animals in CACC shelters are sometimes subjected to abuse and neglect, recorded incidents of the accidental euthanasia of some animals, and evidence of poor veterinary care.

In addition, CACC's adoption levels are low and have not improved over the last three years. Reasons for this include: limited public awareness of CACC and its adoption services and a lack of aggressive efforts by CACC to improve public awareness; inadequate use of off-site adoptions; inadequate efforts to ensure that the adoption process is encouraging to all potential adopters; discouragement by CACC of some rescue groups that take animals from its shelters; the apparent inappropriate limitation of the pool of animals available for adoption; and a lack of adoption services at CACC's Queens and Bronx facilities.

CACC compounds these problems by failing to deal with its under-funding through raising funds on its own and by failing to take sufficient advantage of volunteers. CACC leadership apparently interprets the organization's mission more narrowly than it was originally conceptualized and does not aggressively pursue some of the goals outlined in its mission statement, such as, "providing humane care for all New York City animals in need" and "reducing the number of homeless animals through increased adoption."

In addition, CACC's board violated its bylaws by meeting and voting on certain items without the required quorum present, and it appears to have violated the letter and spirit of the Open Meetings Law by speaking in a manner that prevented attendees from hearing its discussions. Also, the CACC contract with DOH does not include specific and measurable performance requirements or standards.

This audit made 41 recommendations, some of which are summarized below.

- While additional funding will most likely be impossible to obtain in the near future, given New York City's financial situation after the September 11th attack on the World Trade Center, we recommend that, if it ever becomes possible, DOH should consider amending CACC's contract to fund the hiring of additional kennel attendants and veterinary staff.
- CACC should take the following steps, and/or DOH should monitor CACC to ensure that these steps are taken:
 - Ensure that: dogs are walked; all animals have constant access to water; animals' cages are kept clean; animals are put only into dry cages; and cats, dogs, contagious, and nursing animals are kept in separate areas.
 - Investigate the possibility of obtaining additional interns through area colleges to supplement staff in providing animal care.
 - Immediately terminate any employee who physically abuses any animal.
 - Quickly terminate any veterinary staff members who are found to be unqualified or who consistently provide poor care.
 - Implement a process to monitor and evaluate the performance of contracted veterinary clinics.
 - Increase CACC's outreach, public education, and advertising efforts. CACC should speak to other shelters to obtain ideas and pursue relationships with local media outlets, and should enter into partnerships with private companies willing to sponsor special events or advertising campaigns.
 - Increase CACC's participation in adoption events and expand its off-site adoption program.
 - Develop a formal customer service quality assurance program, as required by the contract with DOH.
 - Work more cooperatively with rescue groups interested in helping CACC place animals. CACC should ensure that all employees understand the importance of maintaining good working relationships with these groups, that they treat rescuers professionally and courteously, and that they return calls from rescuers in a timely fashion.
 - Use its Bronx and Queens receiving centers to show adoptable animals until the opening of the planned full-service shelters in the Bronx and Queens.
 - Plan and implement additional fundraising efforts. CACC should contact other non-profit animal shelters to obtain ideas regarding effective fundraising methods.
 - Aggressively increase its number of volunteers through a stronger recruitment effort aimed at individuals interested in the care of animals. CACC should consider enlisting the aid of rescue groups and other area animal welfare organizations in recruiting volunteers.

The audit also recommended that:

- CACC’s board of directors and executive management convene to discuss the organization’s mission, to determine whether the current mission statement accurately reflects CACC’s purposes, and to reconcile its organizational and management philosophy with its contract and stated mission. If the board and executive management determine that the current mission statement is accurate, they must develop a plan for the organization to change direction and bring its operations in line with the pursuit of all of the goals in its mission statement. If the board and management decide that they are not interested in pursuing all of the goals in CACC’s mission statement, they should change the mission statement accordingly and negotiate any necessary amendments to CACC’s contract with DOH.
- CACC’s board of directors should comply with the Open Meetings Law and ensure that all board members, officers, and invited speakers speak audibly so that members of the public who attend the board meetings may hear what is said.
- DOH should amend CACC’s contract to include specific and measurable performance requirements and standards for all appropriate service-related areas.

In its response, DOH stated that it “disagrees with the report’s main findings: that animals are not sheltered under humane conditions and often receive poor veterinary care.” DOH agreed with the adoption-related findings stating, “CACC has not been as successful as hoped in the area of increasing adoptions.” DOH also agreed with the report’s other findings, stating that its own on-site monitoring, which was expanded in July 2001 “to include a comprehensive review of all contractual requirements . . . has found deficiencies in CACC’s . . . customer service, volunteer program and education and outreach efforts.” DOH also committed itself to increasing its site visits to four times a year, effective July 2002.

Update

DOH reported that 28 recommendations have been implemented, including:

- CACC has tightened its procedures to reduce the chance of error and to prevent accidental euthanasia of animals.
- CACC is working with the recently created Mayor's Alliance for New York City's Animals (Mayor's Alliance) and other rescue groups in promoting CACC and its adoption services.
- CACC has increased its participation in adoption events, and off-site adoptions are being done with the Mayor's Alliance and other rescue groups.
- CAAC has developed and are using a customer satisfaction survey at each full service shelter.
- CACC has increased its use of volunteers.

For eight of those 28 recommendations that have been implemented, CACC stated that they already had a policy or procedure in place at the time of the audit. For example, the recommendation concerning the immediate termination of any employee who physically abuses any animal, CACC stated that this has always been our policy and procedure subject to due process and the union.

DOH also reported that CACC is in the process of implementing 10 recommendations, many of which are pending additional funding. For example, DOH and CACC are considering hiring additional kennel attendants and veterinary staff if additional (city) funding becomes available, as well as from increased funding from private sources. In addition, the recommendation concerning CACC providing more supervision of its employees, CACC would like to restore the managerial and supervisory positions that were eliminated when the budget permits.

Furthermore, DOH reported that CACC does not plan to implement 3 recommendations: CACC continues to disagree with the methodology, findings, and the related recommendations that the animals were sometimes sheltered in inhumane conditions and the animals were sometimes treated inhumanely. In addition, the recommendation concerning using its Bronx and Queens receiving centers to show adoptable animals until the full-service shelters in the Bronx and Queens are opened will not be implemented because of staffing and budgetary constraints.

DEPARTMENT OF HEALTH (DOH)

Audit Report on the Tracking of Children with Elevated Blood Lead Levels by the Lead Poisoning Prevention Program of the New York City Department of Health

Audit # MG01-074A

Comptroller's Audit Library # 7349

Issued: April 30, 2002

Monetary Effect: None

Introduction

This audit determined whether the Department of Health (DOH) has adequately followed up on children with elevated blood lead levels of 20 micrograms per deciliter (mcg/dL) and above or children with blood lead levels of 15-19 mcg/dL for each of two tests performed at least three months apart.

The mission of DOH's Lead Poisoning Prevention Program (LPPP) is to reduce the incidence and severity of childhood lead poisoning. LPPP's staff works with families affected by lead poisoning by providing general information about lead poisoning, counseling parents or guardians on reducing children's blood lead levels, conducting environmental risk assessments and providing case management. Lead poisoning exists when a child (under 18 years) has a venous blood lead level of 20 mcg/dL or has blood lead levels of 15 to 19 mcg/dL, for each of two tests performed at least three months apart.

Results

The New York City Department of Health's Lead Poisoning Prevention Program is generally doing a good job of addressing childhood lead poisoning. LPPP staff monitor children with elevated blood lead levels by making initial and follow-up calls and visits to the families of these children and providing information about lead poisoning to the parents.

However, LPPP staff did not always comply with the procedures of the LPPP Protocol. Specifically, in 8 percent of the 133 cases reviewed, initial contacts to the families of children with elevated blood lead levels were not made within the required timeframe of one to three business days, but took an average of 8 business days. In 11 percent of the 133 cases, visits to the families were not made within the required timeframe of one to five business days, but took an average of 12 business days. An in-depth review of 28 of the 133 cases also found that in 18 percent of the cases of children who required follow-up blood tests, LPPP staff did not send the required reminder letter to parents reminding them to take their children for the follow-up blood tests.

The audit also found that LPPP is operating under a Protocol that does not reflect all of the current practices that LPPP officials say exist. In addition, LPPP staff did not follow some relevant requirements in the existing Protocol. For example, in some instances, required reports were not prepared, and many case folders lacked required documentation. There were also discrepancies in the data produced by LeadQuest (LPPP's surveillance and tracking computer program) when compared with the data submitted by LPPP to the Centers for Disease Control (CDC) for the same time frame.

The audit made 12 recommendations. The most significant are that LPPP officials should:

- Make initial contacts and visits within the prescribed timeframes specified in the Protocol.
- Establish alternative procedures and/or work hours to contact or visit working parents who are not at home during the weekdays.
- Send reminder letters to parents of children who have not received a follow-up blood test within a three-month period.
- Prepare an updated Protocol that reflects current procedures to be followed by PHAs and other personnel.
- Ensure that their managers and supervisors adequately supervise the LPPP staff and document their supervisory reviews in LeadQuest.
- Ensure that information reported in the quarterly CDC reports is accurate and compatible with the information in the supporting documentation.

DOH agreed with most of the 12 audit recommendations. Specifically, DOH agreed with eight recommendations and has implemented five. DOH disagreed with recommendations #3 and #6 and is considering whether or not to implement recommendations #11 and #12.

Update

DOH reported that it has implemented eight recommendations, partially implemented two recommendations, and did not implement the remaining two recommendations.

DOH partially implemented two recommendations. DOH reported that it initially uses person to person contact and telephone contacts to remind parents and guardians about the need for follow-up blood tests. Letters are sent when these two procedures are not successful. In addition, DOH reported that Progress Note forms are attached to the Intervention Reports so that PHAs can add comments, when necessary. DOH plans to have the "Notes" field in the LeadQuest computer system expanded during FY'2004.

DOH did not implement two recommendations because the Commissioner and Mayor requested that the indicators in the MMR be reduced, so LPPP did not have the opportunity to add new indicators.

DEPARTMENT OF HEALTH (DOH)

Audit of the Licensing and Monitoring of Summer Day Camps by the New York City Department of Health

Audit # MH01-175A

Comptroller's Audit Library # 7323

Issued: January 22, 2002

Monetary Effect: None

Introduction

In New York City, an estimated 140,000 children under the age of 16 attend summer day camps each summer. The Department of Health (DOH) is responsible for ensuring that all summer day camps operating in New York City are safe and comply with provisions of Sub-part 7-2 of the New York State Sanitary Code (NYS Sanitary Code) and Article 48 of the New York City Health Code (NYC Health Code). One way of doing this is through the permit process, which requires DOH to review essential application documents, approve permits, and perform physical inspections of each camp.

This audit determined whether DOH ensures that all summer day camps in New York City are licensed to operate and adequately monitors summer day camps to ensure their compliance with the NYS Sanitary Code and the NYC Health Code. The audit focused on the administrative and enforcement policies, procedures, and practices of DOH's Field Inspection Unit as they related to the monitoring and licensing of summer day camps for the summer seasons 2000 and 2001.

Results

Although the DOH's Field Operations Day Camp Unit (Field Operations) takes its responsibility very seriously, it should do more to expedite the permit process. In addition, Field Operations should do more to ensure through its inspections that camps comply with State and City regulations and adequately provide for the safety and well being of children who attend those camps.

Our audit determined that on or before July 9, 2001, at the beginning of the summer 2001 season, 280 of 727 day camps opened and operated illegally, without a valid permit. The audit also determined that DOH did not have adequate enforcement measures for camps that chronically violated State and City health regulations. Seventy-one of the 84 camps with uncorrected critical violations at the time of their final inspections in the summer 2000 season opened for business in summer 2001. DOH does not consider the previous year's violation(s) of a day camp as a reason for not approving a permit for the current year, since the camps are seasonal, close at the end of each summer, and start afresh each new season.

The overall physical condition of most of the 58 day camps inspected appeared to be satisfactory. However, most of the camps were not in compliance with various State and City regulations. Thirty-one of the 58 camps inspected did not have a valid permit approved by DOH to operate in the summer 2001 season. At some of these camps the auditors observed hazardous conditions related to fire safety, including: obstructed or locked fire exits at nine camps, two means of egress in areas of assembly (i.e., gyms, auditoriums, cafeterias) not provided at one camp; fire extinguishers not inspected or tagged at five day camps; and fire extinguishers not easily accessible or strategically placed at one camp.

Furthermore, a review of 45 randomly selected application files of day camps with approved permits for the summer 2001 season indicated that, while most of the required documents were on file, 20 (44%) of the sampled files did not contain a notification letter from the Office of Child and Family Services (NYS Family Services) of the New York State Department of Social Services. In addition, 23 (51%) of the 45 sampled day camp files lacked notification from the New York City Fire Department (FDNY) stating that the camp premises complied with laws and regulations pertaining to fire control and prevention.

The audit made 13 recommendations. Some of the major recommendations include that DOH should:

- Ensure that day camps do not open and operate without approved permits.
- Propose a change in the NYC Health Code or institute procedures requiring camp operators to submit all required permit documentation at least 60 days prior to the opening of a day camp.
- At the beginning of the following season, immediately inspect those camps that ended the previous season with uncorrected violations. If any of those camps are found operating without a permit and are cited for the same violations as in the previous year, shut them down. If a camp is not yet operating, but is cited for violations during the inspection, notify the camp that it will not be allowed to open until all violations are cleared.
- Track each day camp's history of violations from year to year and place those camps with repeated violations under greater scrutiny. The Administrative Tribunal should impose greater fees and penalties against those camps that chronically violate the health codes.

- Indicate in its annual Directory of Summer Camps and on its website the previous year's uncorrected critical violations next to the names of those day camps that had such violations, or include a separate list of day camps with such violations.
- Instruct camp operators to keep all designated means of egress from a building or structure unobstructed and unlocked.
- Implement a mandatory education program in conjunction with FDNY's Bureau of Fire Prevention requiring camp operators and directors to attend the program to educate them and ensure compliance with fire safety regulations.
- Meet with officials from NYS Family Services and devise measures to expedite the background investigation of proposed camp directors and the communication of the investigation results. For example, DOH could request access to the State Central Register's database, or DOH could request NYS Family Services to use electronic mail for notification purposes.
- Meet with officials from FDNY to devise measures to expedite FDNY notification of a camp's compliance with fire safety regulations.

DOH generally agreed with 10 of the 13 recommendations. DOH disagreed with the recommendation to immediately inspect camps that ended the previous season with uncorrected violations and to shut those camps down in the current season if they are cited with the same violations. DOH also disagreed with the recommendation to indicate in its annual summer Day Camp Directory the previous years' uncorrected violations next to the names of the camps that had such violations. DOH did not directly address the recommendation to alert camps ending a season with uncorrected violations that they will be given special attention the following season.

Update

DOH reported that it has implemented 12 recommendations and partially implemented one. DOH partially implemented the recommendation to indicate in its annual Directory of Summer Camps the previous year's uncorrected violations next to the names of the camps that had such violations. DOH has added a feature to its website in which camps that have been issued permits for the current season will have a check mark after their listing when their permit is issued. DOH will consider adding the violations to the site in 2003.

HEALTH AND HOSPITALS CORPORATION (HHC)

Audit Report on the Financial and Operating Practices of the Children of Bellevue, Inc.

January 1, 2000, through December 31, 2000

Audit # FM01-195A

Comptroller's Audit Library # 7342

Issued: April 17, 2002

Monetary Effect: Actual Revenue: \$1,136

Introduction

The Children of Bellevue, Inc. (the Auxiliary), is a nonprofit organization that initiates, develops, and funds special programs and acts as an advocate for children and their families within the Bellevue Hospital Center. The Auxiliary is subject to the rules and regulations adopted by the New York City Health and Hospitals Corporation (HHC). HHC rules governing the Auxiliary include Operating Procedure No. 10-20, issued in July 1987, that sets forth the procedures and regulations that must be followed by HHC "Auxiliary Organizations."

Among the services sponsored by the Auxiliary are a child protection and development center, which seeks to minimize the trauma of child abuse, and an early literacy program. The Auxiliary sponsors fund-raising events and solicits donations to support its activities from individuals, corporations, foundations, and government agencies. The Auxiliary also generates income from investments and from interest received on bank deposits. In calendar year 2000, the Auxiliary had total support and revenue of \$1,640,946 and expenses of \$1,279,789.

The audit covered the period January 1, 2000, through December 31, 2000. The objectives of the audit were to determine whether revenues and expenses are recorded accurately and are fairly stated in the Auxiliary's financial statements; whether the Auxiliary incurred expenses in compliance with prescribed guidelines and bylaws; and whether such expenses were reasonable and appropriate.

Results

The audit found that the Auxiliary's revenues and expenses were accurately recorded on its financial statements, and expenses were generally reasonable, appropriate, and complied with prescribed guidelines and bylaws. However, there were some weaknesses in the Auxiliary's financial and operating practices. Specifically, the Auxiliary paid New York University (NYU) \$194,234 without adequate documentation. The payment was to reimburse NYU for the salaries of three NYU employees who purportedly provided services to Bellevue Hospital's pediatric programs. The Auxiliary also paid \$2,739 for questionable items, including gifts and flowers for Board members and employees, in violation of HHC Operating Procedures.

Finally, the Auxiliary was not paid by Cinemat, a concessionaire that operates the videocassette vending machine in Bellevue Hospital. As a result of the audit, the Auxiliary recouped \$1,136 from Cinemat for the period November 1999 to December 2001. This report recommended that the Auxiliary ensure that:

- All payments for reimbursing salaries of NYU employees be supported by a formal agreement with NYU. The agreement should specify the services to be provided, the hours to be worked, and the amounts to be paid. In addition, the agreement should require that NYU submit documentation, such as timesheets or timecards showing the hours worked and services provided, to support amounts requested.
- It pay only expenses that are in accordance with HHC Operating Procedures.
- The Cinemat contract is revised to include a provision requiring that the concessionaire submit gross revenue reports to support fees due. As an alternative, given the minimal amount of fees involved, the contract should be revised to include a flat fee payment rather than a fee based on a percentage of gross revenue.

HHC and Bellevue Hospital officials agreed with the audit findings and recommendations.

Update

HHC did not provide follow-up information.

HEALTH AND HOSPITALS CORPORATION (HHC)

The New York City Health and Hospitals Corporation's Compliance with Medical Research Approval Regulations

Audit # MG98-199A

Comptroller's Audit Library # 7313

Issued: July 25, 2001

Monetary Effect: None

Introduction

The New York City Health and Hospitals Corporation (HHC) provides medical, mental health, and substance abuse services to City residents regardless of their ability to pay. HHC operates 11 acute care hospitals, 6 diagnostic and treatment centers, and 4 long-term care facilities.

Most HHC health care facilities are affiliated with medical schools, teaching hospitals, or physician-owned professional corporations that provide physician and supporting medical services to patients. Many affiliates also engage in medical research activities that provide new and innovative treatments. This report focuses on the approval process for medical research conducted at the Bellevue Hospital Center (Bellevue) through its affiliation with the New York University (NYU) Medical Center.

In April 1998 federal officials investigated allegations that three New York area health facilities had not followed federal guidelines while conducting certain medical studies on children. These were not HHC facilities, but the Comptroller decided to conduct an audit to determine the compliance of HHC facilities with medical research approval regulations. Bellevue accounted for more than half of the active research protocols at HHC facilities, so the audit focused on Bellevue.

The audit's objectives were to determine whether HHC ensured that the proper research approval process was being followed and whether research subjects (and/or their parents or guardians) gave informed consent.

Results

In its initial phase, the audit reviewed the compliance of NYU, Bellevue, and HHC with protocol approval regulations for Bellevue drug studies approved or renewed during fiscal year 1998. The follow-up phase began six months after the issuance of a preliminary report and covered drug studies approved or renewed between April 13 and December 1, 2000. This enabled NYU, Bellevue, and HHC to institute improvements in their procedures that could be verified during the follow-up phase.

In the initial phase, the audit found that principal investigators did not inform the NYU institutional review board (IRB) of 20 of the 28 serious and drug-study-related adverse events found in a review of the principal investigators' files for 30 protocols. While many of these events were anticipated side-effects that did not need to be reported promptly to the IRB, federal regulations and guidelines required that they at least be reported annually. Furthermore, NYU's agreement with Bellevue required the NYU IRB to report adverse events to the Bellevue Research Protocol Review Group. However, none of the eight serious adverse events that the principal investigators reported to the NYU IRB were reported to Bellevue. Also, the NYU IRB did not inform Bellevue of protocol design and consent form changes in ten protocols. As a result, Bellevue and HHC renewed many protocols without being aware of serious adverse events or substantial changes.

Many approved informed-consent forms lacked elements required by federal regulations. For example, many of the 28 consent forms reviewed failed to describe procedures for withdrawing from a protocol, to describe the circumstances that could lead a research director to end a subject's participation, or to state whom subjects should contact if they were injured due to their participation. Several consent forms failed to disclose alternative treatments or mention that there were unforeseeable risks in participating in research protocols. Some consent forms did not present information on the protocol in simple, clear, and accessible language.

Some Bellevue patients were enrolled and treated before Bellevue and HHC reviewed and approved protocols and consent forms. In addition, the auditors could not find signed consent forms for 13 of the 295 Bellevue patients who participated in the 30 protocols.

Significant improvements were noted during the follow-up phase. NYU made substantial changes in its policies and procedures, and in the forms used by principal investigators to report adverse events and to apply for renewal approval. Procedures and forms now clarify the guidelines that principal investigators must follow in providing adverse-event information to the IRB. NYU had also begun to provide information on adverse events and protocol changes to Bellevue, but the information was not routinely provided as part of an ongoing, established system.

NYU also made substantial changes to the template used by its principal investigators to prepare consent forms. The template now prompts the investigators to include discussions of all elements federal regulations require. However, NYU still does not use an editor to review the clarity of consent forms, as the audit report recommended. An editor could help principal investigators prepare consent forms that patients can more readily understand.

Bellevue Hospital has established a new procedure under which a representative of the Bellevue Research Protocol Review Group meets with principal investigators prior to the approval of new protocols, to remind them of the applicable guidelines and to obtain their signed agreements to meet specific guidelines. These include requirements that principal investigators maintain signed consent forms for all patients, and enroll and treat Bellevue patients only after Bellevue and HHC approve the protocols.

The audit made 28 recommendations. While NYU, HHC, and Bellevue were responsive to most of the audit's recommendations, NYU disputed many of the audit's findings. However, while disputing the findings, NYU made most of the recommended changes and substantially improved its procedures.

Update

HHC reported that all of the audit's recommendations have been, or are in the process of being implemented. For example, HHC stated that:

- The NYU IRB Quality Assurance and Improvement staff conducts reviews to determine whether each patient enrolled in a study has signed the IRB approved consent form and that this consent form has been placed in the patient's medical record.
- A Bellevue Research Protocol Review Group physician has been assigned to track adverse events.
- An NYU IRB Compliance Coordinator will be hired to assist principal investigators in the proper development of all research submissions, including informal consent forms.
- The NYU IRB staff will use a new IRB Data Base Management System to verify that principal investigators submit protocol renewal applications in a timely manner.

HEALTH AND HOSPITALS CORPORATION (HHC)

Audit Report on the North Central Bronx Hospital Auxiliary, Inc., of the New York City Health and Hospitals Corporation

Audit # MG01-187A

Comptroller's Audit Library # 7338

Issued: April 1, 2002

Monetary Effect: None

Introduction

This audit analyzed the revenues and expenses recorded by HHC's North Central Bronx Auxiliary, Inc. (Auxiliary) to determine whether they were accurate and fairly reported in the financial statements. It also determined whether expenses incurred were in compliance with prescribed procedures, guidelines, and bylaws, and it evaluated the internal control structure over the collection and disbursement of funds.

The Auxiliary is a nonprofit organization that manages funds designated for services and programs that enhance the quality of patient care at North Central Bronx Hospital. The Auxiliary raises funds through donations, interest earned on Auxiliary accounts, membership dues, and contracts with concessionaires. These funds may be used for purchases that the Auxiliary deems appropriate for the enhancement of patient care. According to its financial statements for 2000, the Auxiliary earned \$147,682 and expended a total of \$124,844.

Results

Although most of the Auxiliary's expenditures were used to enhance the quality of patient care, the Auxiliary did not always adhere to its bylaws or to HHC's operating procedures. Furthermore, there were weaknesses in internal controls relating to oversight and monitoring functions, segregation of duties, accountability, and record-keeping. For example:

- The Auxiliary paid \$7,705 in interest and penalties because it did not make monthly deposits of federal withholding taxes, made late payments of state withholding taxes, and was late in filing related federal and state tax forms for 1999, 2000, and the first three quarters of 2001.
- Neither the Auxiliary nor the Network adequately monitored contracts with concessionaires. Two vendors were operating under expired contracts, one vendor was operating without a contract, and one vendor had no contract on file.
- Of the 270 checks issued during 2000, only seven were signed by two Board members, as required. The remaining 263 checks (97%) bore only the signature-stamp of the Auxiliary President. Furthermore, all three Auxiliary employees had unsupervised access to the signature stamp and used it to prepare their own payroll checks.
- The Auxiliary did not adequately supervise its employees, and its accounting and administrative functions were not segregated.
- The Auxiliary made improper and questionable expenditures (totaling \$3,262), and 14 disbursements (totaling \$3,027) were not approved by the Board, as required.

- The Auxiliary established a patient telephone program that consisted of purchasing disposable telephones and selling them to patients. However, there were no written procedures for this program and controls over the distribution of the telephones were inadequate.

This audit makes 20 recommendations, some of which are listed below. The Auxiliary Board of Directors and North Bronx Healthcare Network should:

- Ensure that monthly deposits of federal withholding taxes are made in a timely manner.
- Ensure that federal form 941 and state form NYS-45 are filed on time, and that withholding taxes are paid in a timely manner.
- Monitor contracts to ensure that the bidding or renewal process is initiated well before each contract's expiration date.
- Ensure that all checks bear the two required signatures.
- Ensure that there is adequate supervision of Auxiliary staff members who perform the office, bookkeeping, and accounting functions.
- Ensure that the functions of processing, recording, and reviewing transactions are divided between two or more individuals, or implement other compensating controls.
- Cease using funds for non-patient-related expenditures, and ensure that all expenditures meet the criteria set forth in HHC guidelines and the Auxiliary by-laws.
- Ensure that all expenditures are approved by the Board and documented in its minutes.
- Ensure that operating procedures are written and implemented for the telephone program.

In their written response to the report, HHC officials agreed to implement all 20 recommendations.

Update

HHC reported that the Auxiliary has implemented 17 recommendations and is in the process of implementing three recommendations, including the following:

- The Auxiliary files all taxes on a timely basis.
- The Auxiliary has revised the previous vendor contract agreement, effective January 1, 2003.
- Commission payments are paid timely by the vendor.
- The Auxiliary date stamps and deposits all commission checks timely.
- The Auxiliary has segregated the duties of processing, recording and reviewing transactions.
- The Site Administrator reviews all invoices prior to payment to ensure the proper use of Auxiliary funds.
- The Auxiliary reviews and approves all expenditures over \$300.

- The Finance Department is in the process of writing operating procedures for the disbursement of telephones to patients.

HEALTH AND HOSPITALS CORPORATION (HHC)

Audit Report on the Inventory Controls of Non-Controlled Drugs and other Goods by Metropolitan Hospital Center of the New York City Health and Hospitals Corporation

Audit # MG01-188A

Comptroller's Audit Library # 7336

Issued: March 22, 2002

Monetary Effect: None

Introduction

The Health and Hospitals Corporation (HHC) provides comprehensive medical, mental health, and substance abuse services to City residents, regardless of their ability to pay. HHC's hospitals, clinics, and other facilities require substantial quantities of drugs and medical and surgical supplies. HHC keeps perpetual inventory records on its computerized OTPS (Other Than Personal Services) procurement management system. At Metropolitan Hospital Center, the total cost of drugs (controlled and non-controlled) purchased by the Pharmacy Department during fiscal year 2001 was almost \$9 million. The total for medical and surgical supplies purchased for Material Management was about \$4 million. Metropolitan Hospital's records show that at the end of fiscal year 2001, the value of the Pharmacy Department's inventory of drugs was \$353,390, and Material Management's medical and surgical inventory totaled \$465,711.

This audit reviewed internal controls over the inventory of non-controlled drugs and other goods by Metropolitan Hospital Center of the New York City Health and Hospitals Corporation (HHC) from June to November 2001.

Results

The Metropolitan Hospital's Pharmacy stockroom had adequate inventory controls over non-controlled drugs, and the Material Management's storeroom had only minor inaccuracies in its inventory records for medical and surgical supplies. However, there are no controls to ensure that inventories are secure after they are issued by the stockroom and storeroom and deducted from the perpetual inventory records. After drugs and medical and surgical supplies are issued, sizable amounts are kept in many areas of the hospital. These areas do not maintain inventory records of the items on hand, and there are no controls to ensure that the inventory is safeguarded.

This audit's inventory counts taken in August 2001 in the stockroom and storeroom showed that the sample of 60 non-controlled drugs, valued at \$39,799, matched the OTPS records. The count of 60 medical and surgical items, valued at \$37,633, disclosed that 8 (8.33%) had a different amount from that recorded in the OTPS inventory system. Based on this result, an additional 201 medical and surgical items were counted, with a recorded value of \$525,611. Ten items (4.98%) had a different actual count from that recorded in the OTPS inventory system: 3 items (valued at \$1,058) had a lower count in the inventory than was recorded; and 7 items (valued at \$700) had a higher count. This audit also found that: inpatient satellite pharmacies issued drugs additional to those that were already placed in the patient cassettes when requested by the nurses, without requiring any written documentation; non-controlled drugs were not always secure during delivery to inpatient satellite pharmacies from the Pharmacy stockroom; and internal controls over the cash collected in the Out-Patient Pharmacy were inadequate.

This audit made seven recommendations, four of which are listed below. HHC should:

- Maintain inventory records for the Pharmacy's subdivisions and for the medical and surgical supplies distribution areas, or implement other compensating controls.
- Establish a procedure to document the issuance of drugs additional to those that the pharmacist believed had already been placed in the patient cassettes.
- Institute procedures that would ensure that drugs are secure and safeguarded during transit.
- Institute controls over the collection process that would ensure that only a specified individual would have access to the Pharmacy cash register, or institute other compensating controls.

In their written response to the report, HHC officials agreed with and will implement six of the seven recommendations. HHC disagreed with the recommendation to maintain inventory records for the Pharmacy's subdivisions.

Update

HHC reported that Metropolitan Hospital Center has implemented five recommendations and is in the process of implementing one:

- The Central Stores Department conducts a monthly inventory and adjusts any discrepancies within the OTPS system.
- The Central Stores Department maintains adequate amounts of supplies.
- The Pharmacist requires the nursing staff to fill out a "missing medication form" before dispensing any additional medication.
- Orders for medication are delivered to the satellite pharmacy supervisor who checks and then signs off on the order. Authorized pharmacy personnel will deliver orders to the satellite pharmacy.
- The Pharmacy Department has implemented additional security measures. The satellite pharmacy supervisor stores the drugs in a closed plastic bin with tamper proof plastic links. If the locks indicate tampering, then the supply will be rechecked.
- The Finance Department will oversee the cash collection process and implement better cash controls and accountability.

HEALTH AND HOSPITALS CORPORATION (HHC)

Audit Report on the Inventory Controls of the Woodhull Medical and Mental Health Center, New York City Health and Hospitals Corporation, Over Non-Controlled Drugs and Medical and Surgical Supplies

Audit # MG02-141A

Comptroller's Audit Library # 7415

Issued: June 28, 2002

Monetary Effect: None

Introduction

The New York City Health and Hospitals Corporation (HHC) provides comprehensive medical, mental health, and substance abuse services to City residents, regardless of their ability to pay. HHC's hospitals, clinics, and other facilities require substantial quantities of drugs and medical and surgical supplies. HHC has a computerized OTPS (Other Than Personal Services) procurement management system that stores perpetual inventory records. Each facility has access to the system to maintain and update its records as necessary.

This audit reviewed the internal controls over the inventory of non-controlled drugs and medical and surgical supplies at HHC's Woodhull Medical and Mental Health Center (Woodhull Hospital) from January to March 2002. Both the Pharmacy and Material Management Departments keep manual inventory records instead of using the OTPS system. At Woodhull Hospital, the total cost of drugs (controlled and non-controlled) purchased by the Pharmacy Department during Fiscal Year 2001 was approximately \$6 million. The total for medical and surgical supplies purchased for Material Management was about \$3 million. According to Woodhull Hospital officials, the value of the inventory of all drugs in the Pharmacy Department stockroom at the end of Fiscal Year 2001 was \$1,015,590, and the value of the medical and surgical supplies in the Material Management stockrooms was \$1,212,319.

Results

At the entrance conference for this audit, on January 29, 2002, Woodhull Hospital officials informed the auditors the Pharmacy and Material Management maintained manual inventory records. During the initial audit walk-through of the Material Management stockrooms, the auditors discovered that the manual perpetual inventory system that hospital officials said was in use had, in fact, been started just three days before the walk-through. The Director of Material Management told the auditors that perpetual inventory records were not maintained prior to January 27, 2002. Although Material Management conducts a required year-end inventory count during June, this count does not take the place of the perpetual inventory records that HHC requires them to maintain.

Since neither the Pharmacy nor Material Management kept perpetual inventory records on the OTPS system, neither unit had adequate inventory controls or was able to determine the dollar value of its inventory in a timely manner. Neither the Pharmacy nor Material Management maintained a complete list of all inventory items, and the new manual inventory records instituted by Material Management were incomplete and inaccurate.

There were also inaccuracies in the Pharmacy's manual inventory records for the non-controlled drugs. A physical count of 200 non-controlled drugs with a recorded value of \$136,712 disclosed that for 27 (13.5%) of the 200 items, there was an actual count difference from that recorded on the manual stock card.

However, the inventory controls at Woodhull Hospital's Material Management Receiving Department were adequate. Shipments received and logged by the Receiving Department were delivered to their appropriate destinations.

This audit made ten recommendations, five of which are listed below. Woodhull Hospital should:

- Ensure that its Material Management Department maintains its inventory records on a computerized inventory system.
- Ensure that its Material Management Department maintains accurate and complete information on its manual stock cards until the inventory is converted to a computerized system.
- Maintain its Pharmacy Department's perpetual inventory records on a computerized system.
- Ensure that the Pharmacy Department periodically conducts physical inventory counts to verify the accuracy of its records, and investigates all variances to determine their cause.

HHC should:

- Ask its Inspector General to more fully investigate the circumstances related to the absence of inventory controls in Woodhull Hospital's Material Management section, to determine whether any theft of goods occurred.

In their written response to the report, HHC officials agreed with and will implement eight of the ten recommendations. For the other two recommendations regarding the posting and monitoring of inventories on manual stock cards, they stated that the recommended actions "will not be required," since Woodhull Hospital would soon maintain computerized inventory records.

Update

HHC reported that Woodhull Hospital has implemented four recommendations and is in the process of implementing four as follows:

- The Materials Management Department has segregated the duties of distributing supplies with the duties of receiving supplies.
- The Pharmacy has reviewed all inventory stock records and has issued items using the smallest packaging unit.
- The Pharmacy conducts regularly scheduled inventory counts.
- The Pharmacy has made corrections to the inventory of non-controlled drugs.
- The Materials Management Department is in the process of maintaining its inventory records within HHC's Materials Management OTPS Inventory system. Approximately 850 of 1500 records have been validated within the OTPS system.
- The Pharmacy will also obtain training on the OTPS inventory system.

- The Pharmacy will also segregate the duties of the person updating the inventory system with the duties of the person handling the inventory.

HHC will share with the Corporation's Office of the Inspector General "the absence of inventory controls in the Materials Management section" for their assessment and disposition. (Although not mentioned in the implementation plan, this was mentioned in the response received by HHC.)

HEALTH AND HOSPITALS CORPORATION (HHC)

Audit Report on the Lincoln Medical and Mental Health Center Auxiliary, Inc., of the New York City Health and Hospitals Corporation

Audit # MG02-142A

Comptroller's Audit Library # 7387

Issued: June 21, 2002

Monetary Effect: Actual Revenue: \$5,029

Introduction

The Lincoln Medical and Mental Health Center Auxiliary, Inc. (Auxiliary), is a nonprofit organization that manages funds designated for services and programs that enhance the quality of patient care at Lincoln Hospital, which is a Health and Hospitals Corporation (HHC) facility. The Auxiliary raises funds through donations, interest earned on Auxiliary accounts, membership dues, and contracts with concessionaires. These funds may be used for purchases that the Auxiliary deems appropriate to its purpose. The audit covered calendar year 2000.

The audit analyzed the revenues and expenses recorded by the Auxiliary to determine whether they were accurate and fairly reported in the financial statements. It also determined whether expenses were in compliance with prescribed procedures, guidelines, and bylaws, and it evaluated the Auxiliary's internal control structure over the collection and disbursement of funds. According to Auxiliary financial statements for calendar year 2000, it earned \$502,580 and expended a total of \$28,193. This resulted in a surplus of \$474,387, which increased the calendar year 1999 net assets balance of \$507,437 to \$981,824 by the end of calendar year 2000.

Results

Auxiliary expenditures were used for activities and projects that enhance the quality of patient care. For example, the Auxiliary purchased for the hospital more than \$200,000 worth of equipment for breast cancer detection during calendar year 1999, and it sponsors an annual health fair each year and a breast cancer awareness program.

The Auxiliary's financial statements fairly represented its financial condition. Its expenses were reasonable and were in compliance with prescribed procedures, guidelines, and bylaws. The Auxiliary properly recorded contributions, concession revenue, and investment interest, and reconciled the cash receipts to the bank statements. Its expenditures were accurately posted to the general ledger, and all canceled and voided checks were properly accounted for and kept on file.

Although the Auxiliary maintained adequate accountability over its funds, the audit concluded that the internal control structure over the collection and disbursement of funds could be improved. Specifically:

- Two vendors owed the Auxiliary \$5,029 in commission payments for calendar year 2000: the parking garage operator owed \$4,310, and the vending machine operator owed \$719.
- The Auxiliary had uninsured bank deposits totaling \$741,100.
- The Auxiliary had an excessive fund balance of \$981,824 in calendar year 2000.

This audit made the following four recommendations. The Auxiliary Board and Lincoln Medical and Mental Health Center should:

- Ensure that commission payments from all vendors are accurate.
- Collect the additional commission payments of \$4,310 and \$719 owed by the parking garage and vending machine operators, respectively, for calendar year 2000.
- Place funds in collateralized accounts.
- Reduce the Auxiliary's funds balance by identifying more patient-care-related projects.

In their written response to the report, HHC officials agreed to implement all four recommendations.

Update

HHC reported that it has implemented three recommendations as follows:

- The Auxiliary monitors the quarterly reports of the vendors.
- The Auxiliary has collected the \$5,029 outstanding commission fees. The vending machine escrow account closed and the money was recovered. The Parking garage operator paid the money in full.
- The Auxiliary has reduced its account balance as a result of spending on patient-care-related projects.

The Auxiliary decided to reduce its balances to insured amounts instead of opening collateralized accounts.

DEPARTMENT OF HOMELESS SERVICES (DHS)

Audit Report on the Compliance of Lenox Hill Neighborhood House with its Department of Homeless Services Contract

July 1, 1999, to June 30, 2000

Audit # FN02-077A

Comptroller's Audit Library # 7341

Issued: April 17, 2002

Monetary Effect: None

Introduction

In 1996, the Department of Homeless Services (DHS) entered into a three-year contract with the Lenox Hill Neighborhood House (Lenox Hill) to operate the Park Avenue Women's Shelter in Manhattan. The contract contained two three-year renewal options, the first of which was exercised on April 27, 1999, to extend the contract through June 30, 2002. This audit determined whether Lenox Hill: maintained complete and accurate records to support its expenses, and whether these expenses were reasonable and necessary; and provided adequate, safe, and sanitary conditions for residents of the shelter. For the audit period—July 1, 1999, to June 30, 2000—Lenox Hill received \$2,229,468 from DHS to operate the facility and provide food, shelter, and other services to 100 residents.

Results

Lenox Hill generally adhered to the provisions of its agreement with DHS and had an adequate system of internal controls over the recording and reporting of its revenues and expenses. All revenue received from DHS was properly recorded on Lenox Hill's books and records and was properly deposited in Lenox Hill's bank account. All expenses were reasonable and appropriate, and were adequately documented. In addition, Lenox Hill maintained the shelter in a safe and sanitary condition.

However, Lenox Hill had no documentation to indicate that one of its employees met the minimum education requirements for a "Social Work Specialist" position, namely, a bachelor's degree from an accredited college or university.

The audit recommended that Lenox Hill ensure that all employees have the qualifications required for their positions. Both Lenox Hill and DHS officials agreed with the recommendation.

Update

DHS reported that audit's recommendation has been implemented.

DEPARTMENT OF HOMELESS SERVICES (DHS)

Audit Report on the Procurement and Monitoring of CPA Services at the Department of Homeless Services

Audit # SQ02-127A

Comptroller's Audit Library # 7408

Issued: June 27, 2002

Monetary Effect: None

Introduction

This audit reviewed the Department of Homeless Services' (DHS) solicitation and award practices for the procurement of CPA audit services, and its monitoring of those services. In 1998, DHS issued a Request for Proposal (RFP) for CPA services to all the firms on the Prequalified CPA list maintained by the Comptroller's Office. The RFP consisted of 188 contracts that were grouped into four categories according to the types of programs involved: adult programs, family programs, single room occupancy housing, and medical services. The contracts were then grouped into 15 lots consisting of eight to 16 contracts each. There was no limitation on the number of lots a CPA firm could be awarded. DHS awarded seven contracts (one contract per CPA firm) at a total cost of \$885,000. The combined value of the Fiscal Year 1998 contracts to be audited by the CPAs was approximately \$194.5 million.

Results

DHS complied with the Procurement Policy Board (PPB) rules and Comptroller's Directive 5 by soliciting all the CPA firms on the Prequalified CPA list. However, DHS awarded five of the 15 contract lots to a CPA firm that should have been eliminated from consideration. The RFP criteria required the proposing CPA firms to attain a minimum average threshold (MAT) rating for the three rating categories. The awarded CPA firm failed to attain the MAT in one of the three rating categories. DHS could have saved \$251,400 by awarding the five contract lots to the highest-rated firm that had attained the required minimum ratings for each of the proposal evaluation criteria.

Delays in work completion were also a problem. Only 52 of the assigned 186 Fiscal Year 1998 audits (28%) were completed by their original RFP due dates. The other 134 audit reports were delivered by the extended due dates that were approved by DHS, but the documentation detailing the reasons for granting extensions was lacking for some audits.

The audit made eight recommendations including that DHS:

- Ensure that all the criteria set forth in the RFP are used to evaluate proposals.
- Establish a formal process for approving extensions, and maintain adequate documentation justifying the extensions.
- Develop criteria for the amount of work that can be awarded to firms, based on the sizes of their staff.

DHS agreed to implement six of the report's eight recommendations. Although DHS disagreed with the recommendation that it develop criteria for the amount of audit work that can be awarded to firms based on the sizes of their staffs, it agreed to consider firm size when awarding its next round of CPA contracts.

Update

DHS reported that it has implemented seven audit recommendations, including:

- All criteria set forth in the RFP are used to evaluate proposals.
- DHS decided to examine the application of firm size versus quantity of award in the next RFP, which is currently being prepared.
- DHS has established during the second year of the contract, a formal process for approving extensions and maintaining adequate extensions and maintaining adequate documentation justifying the extensions.
- DHS has enforced the CPA contract requirements with the CPA firms.

DHS continues to disagree with and will not implement the recommendation concerning evaluating audit lots separately.

HOUSING PRESERVATION AND DEVELOPMENT (HPD)

Audit on the Compliance of Amboy Neighborhood Center, Inc., With Its Contract with the Department of Housing Preservation and Development

Audit # FP01-184A

Comptroller's Audit Library # 7409

Issued: June 27, 2002

Monetary Effect: Actual Revenue: \$270,946

Introduction

The Department of Housing Preservation and Development (HPD) entered into a three-year contract (January 1, 1992–December 31, 1994) with the Amboy Neighborhood Center, Inc., (Amboy) to manage, maintain, and operate the Amboy Family Center (Family Center). Under the terms of the contract, Amboy was to provide temporary emergency housing for families displaced by fires or ordered to vacate their apartments because of unsafe conditions. During our audit period—July 1, 2000, to June 30, 2001—HPD renewed Amboy's contract, which totaled \$4,148,491.

This audit determined whether Amboy complied with its contract with HPD. Specifically, we determined whether Amboy kept the Family Center in a safe and sanitary condition; maintained complete and accurate records to support amounts billed to HPD; and maintained complete and accurate records to support its expenses, and whether those expenses were reasonable and necessary for the operation and maintenance of the Family Center.

Results

The audit found that Amboy did not comply with certain terms of its contract and had weaknesses in its operating practices. Specifically, Amboy:

- did not maintain the facilities in a safe and sanitary condition;
- had no formal procedures to ensure that tenants' apartments were inspected and that problems were corrected;
- made payments totaling \$135,433 to Colony South Brooklyn Houses, Inc., without the benefit of a contract or other documentation detailing the services provided;
- incorrectly calculated and paid holiday pay to its union employees;
- did not ensure that the Executive Director documented his work hours; and
- owes the City \$417,571 for its water and sewer use.

The report made six recommendations, including that HPD:

- Ensures that Amboy inspects all apartments and corrects all unsafe and unsanitary conditions.
- Ensures that Amboy develops and implements formal procedures for inspecting tenants' apartments.
- Ensures that Amboy pays DEP \$417,571 in outstanding water and sewer charges.

- Routinely inspects the Family Center's occupied apartments to ensure that they are safe, sanitary, and properly maintained, as required by HPD's contract with Amboy.

In its response, Amboy did not dispute the existence of the conditions observed by the auditors. However, Amboy indicated that the report failed to note that the majority of the problems found were caused by a lack of sufficient funding and the "dysfunctional behavior of a significant number of families in the shelter system." In addition, Amboy claimed that expenses questioned by the auditors, totaling \$135,433 (consisting of \$127,650 in management fees, \$7,500 for a dinner dance, and \$283 for a conference call), were appropriate. Amboy agreed that overpayments were made to certain of its employees, that the hours worked by the Executive Director lacked documentation, and that Amboy owes the City \$417,571 in water and sewer charges. HPD agreed to implement all of the report's recommendations.

Update

HPD reported that it has implemented three recommendations and is in the process of implementing the remaining three recommendations, including:

- HPD conducted joint inspections with Amboy and asserts that all unsafe and unsanitary conditions cited in the audit have been corrected. HPD has instituted new procedures for all family centers, which require the family centers to regularly conduct and document physical inspections on all occupied units. HPD will audit all documentation submitted by the family centers.
- HPD's new procedures also require the family centers to periodically audit all employees' leave balances to ensure correct calculation of overtime and holiday pay. As part of its audit of the family centers, HPD reviews leave balance records, and calculation of overtime and holiday pay.
- HPD asserts that Amboy paid DEP all of the outstanding water and sewer charges. According to HPD officials, \$270,946 was withheld from Amboy for water and sewer charges.

HOUSING PRESERVATION AND DEVELOPMENT (HPD)

Audit on the Compliance of 456 W. 129th Street Housing Corp., With Its Contract with the Department of Housing Preservation and Development

Audit # FP02-134A

Comptroller's Audit Library # 7419

Issued: June 28, 2002

Monetary Effect: None

Introduction

The Department of Housing Preservation and Development (HPD) entered into a three-year contract (January 1, 1992–December 31, 1994) with the 456 W. 129th Street Housing Corp., also known as Convent Avenue Family Living Center (Convent), to manage, maintain, and operate the Convent Family Center (Family Center). Under the terms of the contract, Convent is to provide temporary emergency housing for families displaced by fires or ordered to vacate their apartments because of unsafe conditions. During our audit period—July 1, 2000, to June 30, 2001—Convent’s approved contract totaled \$837,524. However, HPD registered only \$468,732 of the total amount with the Comptroller’s Office.

This audit determined whether Convent complied with its contract with HPD, specifically, whether Convent: kept the Family Center in a safe and sanitary condition; maintained complete and accurate records to support amounts billed to HPD; and maintained complete and accurate records to support its expenses, and whether those expenses were reasonable and necessary for the operation and maintenance of the Family Center.

Results

The audit found that Convent did not comply with certain terms of its contract and had weaknesses in its operating practices. Specifically, Convent:

- did not maintain all the facilities in a safe and sanitary condition.
- did not always repair the problems identified by its own staff. In addition, many of the repairs took an inordinate amount of time to complete.
- paid management fees to West Harlem Group Assistance (WHGA) without the benefit of a contract or other documentation detailing the services provided.
- received reimbursement from HPD for expenses that it did not incur.
- did not always charge employees for compensatory and annual leave used, and incorrectly calculated overtime pay to its employees.
- did not maintain an inventory list of office equipment or affix tags to the equipment.

The report made seven recommendations, including that HPD ensure that Convent:

- inspects all apartments and corrects all unsafe and unsanitary conditions.
- performs all repairs promptly to address conditions noted in the inspection reports.
- requires that its maintenance workers file work orders after work is completed. The supervisor should then inspect all repairs to ensure that they were properly completed. After inspecting the repairs and reviewing the work orders, the supervisor should sign each work order attesting that the repair was completed, and file the work order in Convent’s files.

In its response, Convent described the steps it had taken or will take to implement six of the report’s seven recommendations. With regard to the remaining recommendation, Convent stated that it reported all voided checks on its monthly bank reconciliations, in accordance with HPD procedures. In its response, HPD agreed to implement all of the report’s recommendations.

Update

HPD reported that it has implemented four recommendations and is in the process of implementing three recommendations, including the following:

- HPD has instituted new procedures for all family centers. These procedures require that the family centers conduct and document routine physical inspections of all occupied units. HPD will audit the reports submitted by the family centers.
- HPD has received confirmation from Convent that the leave balances for the miscalculated employees have been corrected. HPD has also directed that all family centers audit all employees' leave balances. As part of HPD's audit of the family centers' monthly voucher submissions, leave balances, and the computation of overtime and holiday pay are reviewed.
- HPD has directed that all family centers maintain documentation for all expenses. HPD will review banking records to confirm that voided or cancelled checks are not paid.
- HPD has directed that all family centers maintain an inventory list of all equipment on hand and to ensure that equipment is properly tagged with an HPD identification.

DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT (HPD)

Follow-up Audit Report on the Enforcement of the Housing Maintenance Code by the Department of Housing Preservation and Development

Audit # MH01-176F

Comptroller's Audit Library # 7414

Issued: June 27, 2002

Monetary Effect: None

Introduction

This follow-up audit determined whether the Department of Housing Preservation and Development (HPD) implemented the six recommendations made in an earlier audit, *Audit Report on the New York City Department of Housing Preservation and Development's Enforcement of the Housing Maintenance Code* (Audit # MJ95-098A, issued June 30, 1995). That audit evaluated performance indicators published in the Mayor's Management Report (MMR) and investigated whether a statistical sample of violations issued by HPD for immediately hazardous conditions had been corrected. It concluded that HPD should assess its effectiveness by measuring how often violations were corrected instead of measuring performance only in terms of such activities as calls received, inspections performed, violations issued, etc. This follow-up audit covered Fiscal Years 2000 and 2001.

Results

This audit determined that two of the six previous recommendations were implemented and four were partially implemented as follows:

- HPD added new indicators to the Mayor’s Management Report (MMR) regarding violations; however, it still does not report how many of its enforcement activities for the year are related to violations issued in the current year and how many are related to violations issued in prior years.
- HPD added a new objective to the MMR that includes a verified correction rate of emergency conditions. This new objective is misleading and could cause a reader to falsely conclude that the verified correction rate includes all immediately hazardous conditions (Class C violations) when, in fact, it only includes a subset of “emergency conditions.”
- HPD has increased its number of reinspections, although it still does not reinspect all Class C violations.
- HPD reinspected a large proportion of owner correction certifications. In addition, HPD has initiated litigation against owners for falsely certifying the correction of violations. However, the number of false certification cases prosecuted by HPD is very small in relation to the number of false certifications found each year.

To address weaknesses that still exist, this audit made six recommendations, that HPD should:

- Continue to enhance its performance indicators in the MMR by separating the indicators for violations issued in the current fiscal year from indicators for violations issued in previous years and still pending. The indicators should be broken down by class of violation, and reports should describe whether the corrections were made by the owner or by HPD.
- Include all Class C violations in the verified correction rate it reports, and clearly identify any statistics for subsets of Class C violations.
- Continue to seek State legislation enabling it to adjudicate NOVs (Notices of Violations) and to issue and docket penalties for uncorrected violations without having to obtain judgments in the Housing Part of the Civil Court.
- Increase its efforts to prosecute false certification cases to penalize those landlords who submit false statements to HPD claiming that they have corrected the violations.
- Include on its web site as well as in newspapers and various community publications the names of building owners fined by the courts for false certification of corrections, and identify the buildings and violations in those cases.
- Continue to seek approval from the City Council to increase the civil penalties for owners falsely certifying the correction of violations.

In its response, HPD agreed with recommendations # 3, #4, and #6. It disagreed with the audit finding for recommendation #1, but agreed to take the recommendation under advisement, and disagreed with recommendations #2 and #5.

Update

HPD reported that it has implemented two recommendations, partially implemented one recommendation, and is in the process of implementing three, including:

- HPD has established new MMR indicators, which include the percentages of emergency repair violations issued in the current fiscal year corrected by the owner and by HPD. In addition, the new indicators show the number of violations broken down by heat and hot water conditions, emergency conditions, lead conditions, and other conditions.
- HPD has included new indicators for a subset of "C" violations.
- HPD maintains complete records of pending violations for every residential multiple dwelling building in New York City on its website. These records also include violations that were falsely certified.
- HPD submits legislation annually to the State to enable it to adjudicate NOVs and penalties for uncorrected violations.

HUMAN RESOURCES ADMINISTRATION (HRA)

The Use of Its Sub-Imprest Fund by the General Support Services Division of the Human Resources Administration

Audit # FL02-165A

Comptroller's Audit Library # 7418

Issued: June 28, 2002

Monetary Effect: None

Introduction

The New York City Human Resources Administration (HRA) established a sub-imprest fund (Fund) to allow its General Support Services Division (GSS) to make emergency purchases and small purchases, such as carfare. For Fiscal Year 2001, GSS processed 480 purchases totaling \$42,528 through the Fund. Normally, a fund with such small expenditures charged to it would not have been audited, but in this case, allegations were made that the Fund was being used "for personal and non-city purchases." This audit determined whether appropriate expenses were paid from the Fund. The audit covered the period July 1, 2000, to June 30, 2001.

Results

The audit found that purchases made from the Fund frequently violated Comptroller's Directive 3, *Procedures for the Administration of Imprest Funds*, or the HRA Sub-Imprest Fund Procedures Manual. Specifically, GSS: intentionally split purchases to circumvent the Fund's \$250 purchase limit; purchased items without proper approval; purchased items that were not in accordance with agency procedures; and made inappropriate purchases.

The audit recommended that GSS:

- Discontinue its practice of splitting purchases to circumvent the \$250 limit for Fund purchases in accordance with Comptroller's Directive 3 and the HRA Procedures Manual;
- Discontinue its practice of using excess funds to purchase unapproved items;
- Ensure that it uses the Fund for only allowable purchases;
- Use the Fund as intended for emergency and small purchases only; and,
- Ensure that only authorized personnel approve Fund purchases.

HRA officials agreed with the report's findings and stated that they will implement the recommendations.

Update

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

DEPARTMENT OF INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS (DOITT)

Follow-Up Audit Report on the Call Accounting System of the Department of Information Technology & Telecommunications

Audit # 7F02-070

Comptroller's Audit Library # 7407

Issued: June 27, 2002

Monetary Effect: None

Introduction

This follow-up audit reviewed the implementation status of 30 recommendations made in a previous audit report on the Department of Information Technology & Telecommunications (DoITT), Audit Report of the Department of Information Technology & Telecommunications' Call Accounting System, (Audit No.7A96-082, issued June 28, 1996). The earlier audit evaluated the effectiveness of the Astra-Phacs call accounting system as well as the Request for Proposal for its successor, the Tele-management System, which was developed by Telecom Services Limited (TSL). The current audit discussed the implementation status of the 30 recommendations.

Results

Of the 30 recommendations, 15 were implemented, five were partially implemented, five were not implemented, and five were no longer applicable. The five partially implemented recommendations dealt with reconciliation of direct costs, changing authorization codes, creating a formal disaster recovery plan, and that ensuring records are complete and exception reports are reviewed. The five recommendations that were not implemented dealt with reconciliation of information between the vendors and the system, timeliness of the data, and program change control procedures. This follow-up audit made 12 recommendations, including that DoITT:

- Establish procedures to reconcile TMS data and vendors' data;
- Develop appropriate authorization code policies/procedures for TMS; these should include changing codes periodically;
- Ensure that calls cannot be made without an authorization code;
- Conduct an independent assessment of DoITT's TMS unit to improve the reimbursement and reconciliation procedures;
- Ensure that all elements required by Comptroller's Directive 18 are addressed in TSL's and DoITT's disaster recovery plans;
- Establish formal procedures for program changes;
- Request a copy of the source code for the Licensed Software (TMS) to ensure that DoITT can resume telecommunications operations in the event that TSL were to cease operation; and
- Ensure that all data and call records are reviewed for accuracy.

DoITT agreed with nine of the current audit's 12 recommendations, mostly related to the financial management, logical security, disaster recovery, and administration of the Call Accounting System. It partially agreed with the two recommendations that it develop policies and procedures to ensure that authorization codes are changed periodically and to prevent calls from being made without an authorization code. It did not agree with the recommendation that it review all data and call records for accuracy, citing the need for additional staffing for such reviews.

Update

DoITT reported that it has implemented four of the nine recommendations that it agreed with as follows:

- The TMS and Financial Services Unit is implementing a procedure to ensure that tariff changes are entered promptly into TMS so that TMS charges are consistent with charges made by the carriers.
- DoITT has conducted an independent assessment of the TMS unit to improve the reimbursement and reconciliation procedures.
- DoITT's Change Management System will be used for program changes.
- DoITT has received a copy of the source code for TMS.

DoITT did not implement the other five recommendations, primarily due to budget constraints. Of the remaining three recommendations, DoITT continues to partially agree with two recommendations and disagree with one.

DEPARTMENT OF INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS (DOITT)

Audit Report on the Internal Controls over Payroll and Timekeeping Functions at the Department of Information Technology and Telecommunications

Audit # ME01-173A

Comptroller's Audit Library # 7322

Issued: December 28, 2001

Monetary Effect: None

Introduction

This audit evaluated the adequacy of the Department of Information and Telecommunications (DoITT) internal controls over its payroll and timekeeping functions. The scope of this audit covered the period July 1, 1999, to June 30, 2000.

DoITT's responsibilities include the planning and coordinating of information technology, telecommunications, and energy policies for the City of New York (the City). DoITT develops, maintains, and implements long range telecommunication strategies for the City. It administers all franchises and revocable consents relating to telecommunications, operates Crosswalks (the City's cable television network), and regulates basic cable television rates. In fiscal year 2000, DoITT had a Personal Services budget of \$20,113,878 for its 282 employees.

Results

DoITT generally has adequate internal controls over its payroll and timekeeping functions and is in compliance with applicable Comptroller's Directives. With minor exceptions, its internal controls are adequate to ensure that payroll funds are safeguarded, that time worked and leave taken by employees is accurately accounted for, that employees are paid the appropriate amounts, and that employees obtain approval for taking time off. DoITT has adopted Payroll Management System regulations as its written timekeeping and payroll procedures, and follows them consistently. DoITT also generally complies with Comptroller's Directives 1, *Agency Evaluation of Internal Controls*, and 13, *Payroll Procedures*. Furthermore, our review revealed that DoITT maintained accurate payroll and timekeeping records.

The audit revealed two minor weaknesses in DoITT's procedures and made the following recommendations.

- DoITT should segregate its payroll and timekeeping functions, expediting its plan to hire an additional timekeeper and to create a new position to handle only payroll functions.
- DoITT should require that its employees sign for their payroll stubs.

DoITT agreed with the audit's recommendations.

Update

DoITT reported that it has implemented recommendation #2. Employees now sign for their payroll stubs. DoITT, however, reported that was unable to implement recommendation # 1 because of staffing resource constraints.

DEPARTMENT OF JUVENILE JUSTICE (DJJ)

Audit Report on the Contract of Leake and Watts Services, Inc., with The Department of Juvenile Justice November 1, 2000, through October 31, 2001

Audit # FL02-158A

Comptroller's Audit Library # 7396

Issued: June 24, 2002

Monetary Effect: None

Introduction

Leake and Watts Services, Inc. (LWS), operates a non-secure detention group home facility for youths who are in the custody of the Department of Juvenile Justice under a contract with DJJ. The audit determined whether LWS maintained adequate internal controls over the receipt and expenditures of contract funds, and spent all funds on program-related expenses. The audit covered the period November 1, 1999, to October 31, 2001.

Results

LWS generally adhered to the provisions of its agreement with DJJ and had an adequate system of internal controls over the recording and reporting of its revenues and expenses. Specifically:

- Revenues received from DJJ were properly recorded and deposited;
- Expenses were properly recorded and all necessary documentation was maintained;
- Expenses were made in accordance with the DJJ-approved budget;
- Salaries paid to employees were within prescribed budgets;
- Fire extinguishers and smoke detectors were installed throughout the facility;
- Clean and sanitary conditions were maintained; and,
- Employees were cleared through the New York State Central Register, as required by the Social Services Law.

However, LWS did not ensure that all employees recorded their arrival and departure times. Therefore, the audit recommended that LWS do so. In his response, LWS' Chief Financial Officer stated that LWS accepts the report. DJJ's Director of Audit responded that DJJ will monitor the group home to ensure that all employees record their arrival and departure times.

Update

DJJ reported that LWS has implemented the audit's recommendation.

LANDMARKS PRESERVATION COMMISSION

Follow-up Audit on the Internal Controls of the Landmarks Preservation Commission's Local Area Network

Audit # 7F01-130

Comptroller's Audit Library # 7324

Issued: February 1, 2002

Monetary Effect: None

Introduction

This follow-up audit was conducted to evaluate the progress of the Landmarks Preservation Commission (Landmarks) in implementing the 16 recommendations made in a prior audit, *Audit Report of the Internal Controls of the Landmarks Preservation Commission's Local Area Network* (Audit # 7A97-173, issued March 13, 1998).

Landmarks designates and protects New York City landmarks; preserves the City's historic, aesthetic, and cultural heritage; and enhances property values. Landmarks uses four database systems on its local area network (LAN): the Permit Application Tracking System; the Violation Information Program; the Research Information Tracking System; and the Environmental Review Tracking System.

Results

Of the 16 recommendations in the prior report, 10 were implemented, 1 was partially implemented, and 5 were not implemented.

The recommendations that Landmarks implemented dealt with: the control, access, and administration of user passwords; the activation of the Intruder Detection Lockout feature; the incorporation of a time-out feature for all system users; and the installation of anti-virus software on the system.

A recommendation concerning documentation was partially implemented. Landmarks now documents its system record layouts and LAN configuration; however, it still does not document maintenance.

The recommendations that were not implemented dealt with: formalizing the agency's access control policy; activating a sign-on feature that prevents concurrent connections; developing, approving, implementing, and testing a formal disaster contingency plan; and storing all system components necessary for disaster recovery and a copy of the disaster recovery plan at an off-site location.

This audit addressed one new issue not covered in the prior audit—Internet connectivity. Although Landmarks does not provide agency-wide Internet access to its employees, it allows them access to the Internet via two stand-alone computers that are not connected to the agency LAN. However, Landmarks does not impose security restrictions on these two computers.

Accordingly, the audit recommended that Landmarks: (1) restrict employees to only two concurrent connections to the system; (2) document system maintenance and unscheduled system downtime; (3) formalize the agency’s access control policy; (4) develop, approve, implement, and routinely test a formal disaster contingency plan; (5) store all system components necessary for disaster recovery and a copy of the disaster recovery plan at an off-site location; and (6) implement and enforce security restrictions on the stand-alone computers used to access the Internet.

With the exception of our recommendation to restrict employees to two concurrent connections to the system, Landmarks generally agreed with the audit’s recommendations.

Update

Landmarks did not provide follow-up information.

NEW YORK CITY LOFT BOARD

Audit Report on the Timekeeping, Payroll, and Purchasing Operations of the New York City Loft Board

Audit # ME01-158A

Comptroller's Audit Library # 7347

Issued: April 25, 2002

Monetary Effect: None

Introduction

This audit determined whether the New York City Loft Board (Loft Board) complied applicable City payroll, timekeeping, and purchasing procedures—such as Comptroller's Directives and the Procurement Policy Board (PPB) Rules—and with its own procedures.

The Loft Board was established September 30, 1982, pursuant to the New York State Multiple Dwelling Law and to Mayor's Executive Order No. 66. The Loft Board's goal is to resolve issues regarding the legalization and regulation of loft buildings under its jurisdiction that have been illegally converted to residential use.

During fiscal year 2000, the Loft Board had 17 salaried employees. It spent a total of \$577,187 in Personal Service (PS) expenditures and \$53,606 in Other Than Personal Service (OTPS) expenditures.

The New York City Office of the Mayor (Mayor's Office) is responsible for recording and monitoring Loft Board employees' use of annual and sick leave, compensatory time, and compensatory time accruals, as well as for purchasing goods and services for the Loft Board.

Results

The Loft Board generally complied with applicable City payroll, purchasing, and timekeeping procedures, as well as with its own procedures. However, the audit identified some irregularities in the Loft Board's budgeting, timekeeping, and purchasing practices, such as:

- The Loft Board had no funds budgeted for payments to its members.
- In ten instances, totaling 17 hours and 45 minutes, leave time used by employees was incorrectly reflected in PMS.
- Loft Board employees are permitted, without the required written permission, to carry compensatory time beyond the four-month limit set by City regulations.
- For 13 instances (totaling 11 hours and 30 minutes) in which written justification was needed for compensatory time that had been earned, it was not obtained.
- For 12 of the 41 (30%) invoices we reviewed, the Loft Board did not pay the invoices within the time frames specified in PPB rules.
- The Loft Board does not maintain an up-to-date inventory list of its physical assets.

This audit makes 11 recommendations, the most significant of which are listed below, that the Loft Board:

- Periodically compare employees' weekly time sheets with the leave use indicated in PMS.
- Ensure that invoices are certified immediately after receipt and processed for payment in a timely fashion.

The Loft Board and Mayor's Office generally agreed with the audit's findings and recommendations. The Mayor's Office stated in its response that it is working closely with the Loft Board to monitor timekeeping and purchasing practices, and that changes have already been implemented, such as correcting the discrepancies in PMS, updating the employee orientation manual, and correcting the fiscal internal records.

Update

The Mayor's Office of Operations reported that it is working on an Audit Implementation Plan.

METROPOLITAN TRANSPORTATION AUTHORITY (MTA)

Audit Report on the Metropolitan Transportation Authority's Maintenance of Long Island Rail Road Stations within the City

Audit # FN01-190A

Comptroller's Audit Library # 7332

Issued: February 28, 2002

Monetary Effect: None

Introduction

The Metropolitan Transportation Authority (MTA) was created in 1965 by the State of New York to maintain and to improve commuter transportation and related services within the Metropolitan Transportation Commuter District. Chapter 415, § 1277, of the New York State Public Authorities Law of 1966, requires that each local governmental unit reimburse the MTA for the costs of operating, maintaining, and using commuter passenger stations within their boundaries.

This audit determined whether the Long Island Rail Road (LIRR) maintained its 26 stations within the City's boundaries (City Stations) in a clean and safe condition; corrected unsafe and unsanitary conditions at those stations identified in a previous report (FN00-174A, issued February 27, 2001); and provided maintenance services for those stations in accordance with the LIRR's standards and procedures. The MTA's bill for both LIRR's and Metro-North Railroad's City Stations for the period April 1, 2000, to March 31, 2001, totaled \$65,359,978.

Results

Three of the LIRR's 26 City Stations—Broadway, East New York, and Murray Hill—were not properly maintained and had potentially hazardous conditions that included uneven, cracked, and crumbling cement; damaged steps on staircases; and loose metal plates on station platforms.

LIRR did not always correct the problems noted during its own inspections of certain City Stations. For example, in October 1998 and October 2000, the Broadway Station was cited for cracked concrete platforms; in February and June 2000, the East New York Station was cited for broken steps and loose concrete on the platform; and in January, November, and December 2000, the Murray Hill Station was cited for chipped and broken steps on platform staircases, cracked and crumbling cement on the platforms, and steel plate platform edge in need of repair. During the audit's inspections of these stations from June through September of 2001, these conditions still existed.

LIRR did not adhere to its station-painting guidelines, which require that stations be painted once every two to five years, depending on daily ridership. Three stations were not painted as frequently as required by the guidelines. The Broadway Station, which should have been painted in 1999, had not been painted since 1995. The Flatbush Avenue Station should have been painted every two years, in 1999 and again in 2001, but had not been painted since 1997. The St. Albans Station, which had not been painted since 1991, should have been painted in 1996 and 2001.

The report's five recommendations to the MTA and the LIRR were to ensure that conditions identified during its inspections during the audit are corrected and to ensure that the City stations are painted in accordance with regulations. In a response forwarded by the MTA, LIRR officials agreed to implement all five recommendations.

Update

LIRR officials stated that it has upgraded its cleaning schedules, that certain conditions have been remedied, and that the remaining repairs would be made within a specified period of time.

METROPOLITAN TRANSPORTATION AUTHORITY (MTA)

Audit Report on the Metropolitan Transportation Authority's Maintenance of Metro-North Railroad Stations within the City

Audit # FN01-191A

Comptroller's Audit Library # 7331

Issued: February 28, 2002

Monetary Effect: None

Introduction

The Metropolitan Transportation Authority (MTA) was created in 1965 by the State of New York to maintain and to improve commuter transportation and related services within the Metropolitan Transportation Commuter District. Chapter 415, § 1277, of the New York State Public Authorities Law of 1966, requires that each local governmental unit reimburse the MTA for the costs of operating, maintaining, and using commuter passenger stations within their boundaries.

This audit determined whether the Metro-North Railroad (Metro-North) maintained its 14 stations within the City's boundaries (City Stations) in a clean and safe condition; corrected unsafe and unsanitary conditions at those stations identified in a previous report (#FN00-175A, issued February 27, 2001); and provided maintenance services for those stations in accordance with Metro-North's standards and procedures. The MTA's bill for both Metro-North's and the Long Island Rail Road's City Stations for the period April 1, 2000, to March 31, 2001, totaled \$65,359,978.

Results

Five of Metro-North's 14 City Stations—Tremont, Fordham, Wakefield, University Heights, and Riverdale—were not properly maintained and had potentially hazardous conditions that included missing third rail caps and sleeve covers; raised metal expansion plates; uneven, cracked, and crumbling cement; and deteriorated steps and staircases.

Problems noted by Metro-North's own inspectors as far back as May 2000 had not been corrected at the Tremont, Wakefield, and Riverdale Stations as of the time of our inspections of these stations in July and August 2001.

The number of stations missing portions of the protective third rail caps and sleeve covers increased from four cited in the prior audit to nine—Harlem-125th Street, Tremont, Fordham, Botanical Gardens, Williams Bridge, Morris Heights, University Heights, Marble Hill, and Riverdale.

The report's five recommendations to the MTA and Metro-North were to ensure that conditions identified during their own inspections and those identified during this audit are corrected. In a response forwarded by the MTA, Metro-North officials agreed to implement all five recommendations.

Update

Metro-North's response stated that it regularly inspects all facilities, that the repairs of unsafe conditions are corrected immediately, and that other repairs are scheduled for correction by the Track and Structures Department at outlying stations or by Grand Central terminal building maintenance at Grand Central. In addition, Metro-North's response discussed the steps that were or will be taken to address the poor station conditions cited in the report.

MTA NEW YORK CITY TRANSIT

Follow-up Audit Report of the MTA NYC Transit Access-A-Ride Services

Audit # MD00-208F

Comptroller's Audit Library # 7303

Issued: July 12, 2001

Monetary Effect: None

Introduction

This follow-up audit determined whether New York City Transit (NYCT) implemented the recommendations made in our earlier audit, *Audit Report on MTA NYC Transit Access-A-Ride Services (Audit No. MD98-078A, issued November 23, 1998)*. The earlier audit evaluated whether NYCT monitored Access-a-Ride (AAR) carriers' performance, determined how AAR drivers' credentials were reviewed, and evaluated the quality of carriers' service to their customers.

The previous audit reported problems with NYCT's monitoring of AAR carriers' performance. The carriers' drivers had poor driving records—including moving violations and accidents—before and after they were hired; lacked the required Taxi and Limousine Commission licenses; and were allowed to work before being fully trained. Carriers' vehicles were not maintained as required by the NYCT contract. In addition, AAR carriers entered inaccurate customer pick-up and drop-off times in NYCT's Paratransit Automated Schedule System (PASS). There were also problems with AAR's tracking of and response to customer complaints.

Results

This follow-up audit disclosed that the NYCT has improved its monitoring of AAR carriers' performance since the previous audit. Of the 24 recommendations made to NYCT in the previous audit, 11 were implemented, 5 were partially implemented, 2 were not implemented, and 6 were no longer applicable.

This audit noted that complaints against the AAR program have increased since the prior audit. Carriers stated that NYCT's scheduling of trips is partially responsible for the increase in customer complaints. Carriers stated that the current NYCT system does not take rush hour and traffic conditions into account, does not always assign the most efficient driver routes, and does not always allow sufficient travel time between passenger pick-ups. NYCT officials stated that they were implementing a new computer system to assist carriers in scheduling trips.

To address the issues that still exist, we made seven recommendations to NYCT, the most significant of which were that NYCT should:

- Ensure that carriers follow the contract criteria with regard to hiring drivers with good DMV records.
- Require that its Standards and Compliance Unit staff carefully review a sample of preventive maintenance inspection records of the AAR vehicles to ensure that the carriers are conducting maintenance inspections as required by the contract.
- Have the staff responsible for maintaining the central complaint log follow up on those complaints that are not responded to within the specified time frame. In addition, NYCT should finalize the written complaint procedure and include the time frame for responding to those complaints that are the carriers' responsibility.
- Substantially increase the number of AAR trips observed by NYCT employees. The results of their observations should be utilized to verify the accuracy of the trip times entered into PASS.

In its response, NYCT disputed every negative finding, and our determination of whether the prior report's recommendations were partially implemented or not implemented. Moreover, since the agency stated that all the prior audit's recommendations were either implemented or no longer applicable, they did address any of the follow-up report's recommendations.

As discussed in this report, NYCT's arguments were either inaccurate, not supported by the documentation they supplied, or did not address the intent of our findings and recommendations. Therefore the audit's findings and recommendations still stand.

Update

NYCT reported that it has implemented the following five recommendations:

- NYCT receives notification of accidents and convictions of moving violations for operators working for Access-A-Ride. If the operator did not meet the 19-A requirements or hiring standards, the operator is immediately removed from service.
- Access-A-Ride operators are trained in all aspects within 30 days of being hired.
- The Standards and Compliance Unit reviews preventive maintenance records.
- The Customer Relations Unit follows up on complaints to ensure that they are responded to timely. Moreover, written complaint procedures have been finalized.
- The Standards and Compliance Unit performs observations of AAR trips which are reconciled with the information in the ADEPT system.

NYCT reported that it did not accept the remaining two recommendations concerning attaching statements from customers describing the details of accidents, and including a provision in the current paratransit contracts that would assess liquidated damages for entering false trips.

MULTI-AGENCY**Follow-Up Report on the Development of the Comprehensive Justice Information System (CJIS)**

Audit # 7F02-173

Comptroller's Audit Library # 7406

Issued: June 24, 2002

Monetary Effect: None

Introduction

This follow-up audit determined the implementation status of four recommendations made in a previous audit, *Audit Report on the Development of the Comprehensive Justice Information System* (Audit No. 7A01-098, issued June 29, 2001).

The Comprehensive Justice Information (CJIS) provides the City's juvenile justice agencies—the Department of Probation, the Law Department, and the Department of Juvenile Justice—with an integrated system to track the status of juveniles who have entered the court system. The software vendor, INSLAW, developed the system and the Department of Technology and Telecommunications (DoITT) installed the system in its mainframe computer and continues to maintain the system.

The earlier audit reported that an independent quality assurance consultant was not employed to review deliverables, that there were duplicate records in CJIS, that programmers did not document all their changes, and that a project team should have been assembled to ensure that all missing system requirements were identified and implemented. Consequently, the system still has problems providing information to the user agencies, there remain many duplicate records, and there is still no mechanism in place to identify and implement future system requirements. The prior audit made four recommendations: that DoITT retain a backup programmer to correct existing system problems, that all duplicate records should be eliminated, that changes to the CJIS programs should be properly documented, and that a project team should be assembled to ensure that all future system requirements are identified and implemented.

Results

One of the four recommendations made in the previous audit was implemented, two were partially implemented, and one was not implemented. In addition, this follow-up audit found that the CJIS database does not contain all the information needed for user reports.

The follow-up audit recommended that DoITT, in conjunction with the Law Department, the Department of Probation, and the Department of Juvenile Justice:

- Hire or train a second programmer,
- Implement programs to merge duplicate records,
- Assemble a project team to ensure that future requirements are implemented and tested by an external quality assurance consultant, and

- Meet with each user agency to collect the report requirements, and once these requirements are gathered, upgrade the CJIS database to include that information.

DoITT and the user agencies generally agreed with the audit's findings and recommendations.

Update

DoITT reported that as result of a three month study that DoITT conducted with a vendor on the assessment of the current CJIS system, the City has decided to replace the CJIS system using "best-of-breed technology" for all of the agencies involved which would allow a sharing of data. The Law Department and the Department of Probation have selected their agency software. The next step will be to gather detailed requirements and identify the technology strategy for data sharing.

MULTI-AGENCY

Audit of the Board of Education and the School Construction Authority's Program to Accelerate the Replacement of Coal-Fired Furnaces in New York City Schools

Audit # EW00-166A

Comptroller's Audit Library # 7320

Issued: December 21, 2001

Monetary Effect: None

Introduction

The audit evaluated whether the Board of Education (Board) and the School Construction Authority (SCA) replaced coal-fired boilers in public schools in accordance with a program to accelerate the replacement one year ahead of schedule. The scope of the audit covered March 2000 through August 2001, which encompasses the period during which SCA undertook the acceleration. The audit reviewed the files of all 99 schools for which SCA awarded boiler replacement contracts, and inspected a judgmental sample of 10 schools.

Results

SCA was able to accelerate the replacement of boilers so that all 99 schools had operable boilers for the start of the 2001 heating season commencing October 1, 2001. Therefore, the audit concluded that the acceleration program was generally carried out effectively.

The acceleration cost approximately \$26 million (or 16 percent) more than SCA's original engineering estimate. Although other factors (such as a booming construction industry) contributed to this cost increase, we believe the acceleration effort had a significant impact on the cost.

At eight sampled schools, certain contract work was not performed and was not listed on SCA's punchlists. SCA has since performed or is in the process of performing the required work. At three sampled schools, SCA was unable to provide all necessary documentation indicating that it had fully performed required air sampling during asbestos abatement. At the two sampled schools where new boilers were already operating, boiler control pressures had to be lowered because existing piping systems could not accommodate the higher pressure levels of the new boilers.

Notwithstanding a one-year guarantee for all types of work, the duration of boiler warranties was not clearly specified by SCA in its contract specifications. The period of the warranty was left up to the individual boiler manufacturers, some of whom provided longer warranties for various components than others.

The Board failed to identify which construction projects in its five-year capital plan would be deferred when additional funding was required to accelerate the boiler replacement program.

The audit recommendations to SCA were that it:

- Complete its determination of time extensions and subsequent assessment of liquidated damages.
- Schedule start-up tests only after correction of all deficiencies noted by its Facilities Inspection Division.
- Correct all deficiencies and complete outstanding work items in as expeditious a manner as possible.
- Ensure that construction managers strictly monitor the status of work and ensure that all contract work is performed.
- Verify that worker health and safety was adequately protected.

The audit recommendations to the Board were that it:

- Identify deferred projects whenever funding changes require it to do so.
- Issue an annual amendment to its five-year capital plan.
- Ensure that climate control and heating plant upgrades are carried out and are able to accommodate the higher operating pressures of the new boilers.

Recommendations to both the Board and SCA were that they:

- Jointly determine boiler warranty
- Review all equipment warranties required by the specifications and ensure that they meet or exceed industry standards.

In its response to the audit, the Board stated: "We are pleased with the report's conclusion that the acceleration program has generally been carried out effectively." The Board agreed with the five recommendations; it has implemented one recommendation and is in the process of implementing two others. The Board will implement two other recommendations with the cooperation of the SCA.

In its response to the audit, SCA's President and CEO stated: "This audit presented several recommendations that are appropriate for further consideration. Others, however, do not seem to reflect the environment that the Authority must operate within, or a full understanding of how the process operates at the Authority." For example, SCA did not agree with our recommendation that it conduct start-up tests after correcting deficiencies, and believes it already verifies that worker health and safety is adequately protected.

Update

The Department of Education reported that it has made further progress in implementing the report's recommendations. Similarly, SCA officials stated that they have or will implement six of the report's recommendations. SCA officials stated that they will not implement the report's recommendation to schedule start-up tests only after correcting all deficiencies noted by its Inspection Division.

AUDITS OF MANAGERIAL LUMP SUM PAYMENTS

Monetary Effect: Actual Savings: \$544,244.09

The Audit Bureau's Division R pre-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 accrued annual leave, sick leave, and overtime. 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 overtime. After January 1, 1978, the plan became the Management Pay Plan.

The Management Pay Plan covers five categories of employees who are paid in accordance with the appropriate Personnel Orders covering their time balances.

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

These pre-audits resulted in a net decrease totaling \$544,244.09 on all lump sum claims submitted by agencies in fiscal year 2002, as follows:

Total number of claims in fiscal year 2002	454
Total amount of agency-prepared lump sum claims	\$12,593,873.99
Total amount of lump sum claims approved for payment	\$12,049,625.91
Claims correctly prepared by the agency	167
Claims reduced during pre-audit	214
Claims increased during pre-audit	72
Claims denied	1
Total dollar value of agency overpayments, before pre-audit	\$ 598,253.35
Total dollar value of agency underpayments, before pre-audit	\$ 54,009.26
Net Decrease resulting from pre-audit	\$ 544,244.09

AUDITS OF HIGH RISK WELFARE FUND PAYMENT VOUCHERS

Monetary Effect: Actual savings: \$775,490

Potential savings: \$1,176,059

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

During fiscal year 2002—6,148 vouchers totaling over \$679 million were audited, with these results:

	NUMBER OF <u>Vouchers</u>	AMOUNT
Total Number of Vouchers Audited:	6,148	\$679,592,501
Vouchers Accepted:	5,179	\$518,298,884
Vouchers Not Accepted:	969	\$161,293,616
Overpayments:		\$ 1,176,059
Questionable:		\$ 1,644,315
Underpayment:		\$ 30,442

Collections during Fiscal Year 2002 totaled \$775,490. Agencies recouped this amount either by check from the appropriate fund or by deducting the overpayment from subsequent payment vouchers.

NEW YORK CITY DEPARTMENT OF PARKS AND RECREATION (DPR)

Audit Report on the Financial and Operating Practices of the Asser Levy Recreation Center

July 1, 1997, through July 7, 2001

Audit # FM00-173A

Comptroller's Audit Library # 7328

Issued: February 28, 2002

Monetary Effect: None

Introduction

This audit was conducted after the Comptroller's Office received notification that two employees of the Asser Levy Recreation Center were arrested for embezzling more than \$204,000 in membership fees. The Asser Levy Recreation Center (Asser Levy), in Manhattan, is operated by the Department of Parks and Recreation (Parks) and funded primarily through the general operating fund of the City Treasury. In addition to receiving funds from the City, Asser Levy solicits "donations" from individuals who wish to use the facility. The amounts collected are recorded on Asser Levy's computerized "Sports Log" tracking system and are then deposited by a Parks employee in a custodial bank account maintained by the City Parks Foundation (Foundation), a not-for-profit corporation that raises private funds for the betterment of the City parks. Asser Levy raised \$305,752 and \$433,488 from membership and other fees in fiscal years 1998 and 1999 respectively.

Funds deposited in the custodial account are used primarily to pay the salaries of certain recreational center employees and to purchase exercise equipment. The Foundation is instructed by Parks to disburse funds in accordance with the "Guidelines for the Use of Parks & Recreation Funds Held in Custodial Accounts by the City Parks Foundation." The Foundation disbursed from the custodial account a total of \$382,063 in fiscal year 1998 and \$296,763 in fiscal year 1999.

The audit covered the period July 1, 1997, through July 7, 2001. The audit determined whether Asser Levy had any internal control weakness that contributed to the theft, and if such weaknesses existed, whether Parks made the appropriate procedural changes to ensure proper internal controls over the collection, processing, recording, and reporting of Asser Levy revenues.

Results

Asser Levy did not have adequate control procedures in place to ensure that fees collected were safeguarded and deposited in the custodial bank account. As a result, two employees of Asser Levy were able to embezzle more than \$200,000. The theft went undetected because daily deposits were not reconciled with the amounts recorded on Asser Levy's computerized tracking system. Moreover, Parks officials did not ensure that the duties of collecting, processing, and recording membership fees at Asser Levy were properly segregated.

It should be noted that after the discovery of the theft and before we started this audit, Parks had adequately segregated the duties of collecting, recording, reconciling, and depositing fees by assigning the duties among different employees.

There were differences between Parks and Foundation accounting records for the Asser Levy account because of numerous posting errors. Specifically, the Foundation incorrectly posted Asser Levy receipts to other recreation center accounts, based on inaccurate information that it received from Parks. Foundation officials stated that they failed to post certain transactions to their records, which contributed to the differences. As a result, Parks records indicated an Asser Levy fund balance of \$682,158, while Foundation records indicated a negative balance of \$42,634, a difference of \$724,792. Although Parks and Foundation records did not match, we were able to determine that all deposits recorded on Parks records were actually deposited in the bank.

This report recommended that Parks:

- Periodically conduct procedural reviews at Asser Levy to ensure that responsibilities for collecting, recording, and depositing receipts are properly segregated.
- Closely monitor its Manhattan Recreation Office to ensure that it adheres to Parks reconciliation procedures.
- Conduct reviews at the other City recreation centers to ensure that they have adequate controls over collecting, recording, depositing and reconciling receipts.

Parks agreed with the findings and implemented the audit's recommendations.

Update

Parks reported that it has implemented all of the audit's recommendations.

DEPARTMENT OF PARKS AND RECREATION (DPR)

Audit Report on the Monitoring of Water and Sewer Payments by
Licensees, Concessionaires, and Other Private Concerns

Audit # FM00-196A

Comptroller's Audit Library # 7307

Issued: July 20, 2001

Monetary Effect: Actual Revenue: \$ 176,461

Potential Revenue: \$1,835,849

Introduction

This audit evaluated whether the Department of Parks and Recreation effectively monitored concessionaires' compliance with the terms of their contracts regarding water and sewer fees.

The Department of Parks and Recreation (DPR) provides recreation and encourages the use of City parks by entering into contractual agreements with private businesses and individuals to operate various concessions (e.g., marina berths, golf courses, tennis courts, restaurants, and food carts). Most concession contracts require that the concessionaire pay the water and sewer fees billed to the property during the course of the contract. Water and sewer fees are billed by the New York City Department of Environmental Protection (DEP).

Results

DPR does not effectively monitor whether concessionaires are being billed water and sewer fees or whether they pay on a timely basis. Specifically, 77 (90 percent) of the 86 concessions that are required to pay for water were not properly billed for the charges incurred, or had outstanding balances. Collectively, these concessionaires owed the City in excess of \$2 million. (In its response, DPR indicated that several concessionaires made payments totaling \$176,461).

This report made 17 recommendations, including:

The Department of Parks and Recreation should:

- Take immediate action regarding all concessions cited in this report.
- Establish a tracking system for the purpose of monitoring the concession contracts for payments of water and sewer fees.
- Provide the tracking system information to DEP. Update DEP regularly on the contracts that are due to expire, on information about new concessionaires, and on other relevant facts regarding the status of each concession.
- Actively participate in the collection of water and sewer fees by asking DEP for a quarterly printout of all concessions with outstanding water and sewer fees. When DEP notifies DPR that a concessionaire is delinquent, DPR should send a Notice To Cure.

The Department of Environmental Protection should:

- Send quarterly printouts to DPR of all concessions that have outstanding water and sewer bills.
- Refer delinquent concessionaire accounts to the Corporation Counsel for collection measures

DPR officials generally agreed to implement the report's recommendations. However, they strongly disagreed with the audit's conclusions. DPR stated that the amount cited as owed by concessionaires is overstated because it does not take into account information provided by DPR after November 1, 2000—the cut-off date of the audit test period. In addition, DPR contended that it is not responsible for the collection of water and sewer charges from its concessionaires. Nevertheless, DPR stated that “the report is helpful in pointing out the need to improve coordination with DEP regarding new and expired contracts.”

In its response, DEP indicated that it agreed with the recommendations in the report and described the steps that would take to improve the process for collecting water and sewer charges from DPR concessionaires.

Update

DPR reported that it has implemented nine of the 11 recommendations addressed to DPR, including the following:

- DPR has taken action regarding the concessionaires addressed in the audit by providing DEP with updated information on the concessionaires and participating in the collection of outstanding of water and sewer charges.
- DPR will continue to maintain a current database of concessions that use water and are required to pay water and sewer charges.
- DPR has established procedures to ensure that DEP is notified of concessionaires that are at the end of their contract term.
- DPR also assists DEP in identifying concessionaires with delinquent accounts and referring them to the Corporation Counsel.

DPR disagreed with the two remaining recommendations pertaining to surveying each concession to determine if there is running water on the property and modifying contracts to include specific language that would allow DPR to terminate an agreement if concessionaires do not respond to Notices To Cure regarding unpaid water and sewer fees.

DEP reported that it has implemented three of the six recommendations addressed to DEP. DEP has done the following:

- The Forest Park Golf Course's Clubhouse and café have been metered and are producing accurate bills.
- DEP has updated CIS with the information on concessionaires with inactive accounts. These concessionaires have been billed for water and sewer charges.
- DEP has canceled all incorrect balances and has changed the billing rate to ensure that these accounts are not billed in the future.

DEP is in the process of implementing the remainder of the audit recommendations.

DEPARTMENT OF PARKS AND RECREATION (DPR)

Audit Report on the Funds Raised by the New York City Department of Parks and Recreation
And Maintained in Custodial and Restricted Accounts By the City Parks Foundation

July 1, 1998, through June 30, 1999

Audit # FM01-166A

Comptroller's Audit Library # 7404

Issued: June 25, 2002

Monetary Effect: None

Introduction

This audit determined whether the New York City Department of Parks and Recreation's (Parks) appropriately raised, accurately accounted for and adequately controlled the "private" funds it raised. This audit covered the period July 1, 1998, through June 30, 1999, and was the final of four reports covering the private funds Parks raised and deposited in custodial and restricted accounts maintained by the City Parks Foundation (Foundation).

In addition to the funds received from the City, certain Parks divisions raise private funds from individuals and organizations that are instructed to make their checks payable to the Foundation. These funds are held in either the Foundation's custodial or its restricted accounts. In Fiscal Year 1999, Parks deposited more than \$3.5 million of privately raised funds in 36 custodial and 28 restricted accounts maintained by the Foundation.

Results

Parks inappropriately deposited—with the Foundation instead of the City Treasury—funds raised through the efforts of City employees using City resources. In Fiscal Year 1999, Parks raised \$3,211,779 in private funds by soliciting donations at City recreation centers, by selling goods and services, by issuing permits for filming or events, and by soliciting grants and donations.

Parks inappropriately instructed individuals seeking membership at City recreation centers and production companies and individuals seeking permits to label their payments as "donations" so that the amounts collected could be deposited with the Foundation.

Parks expended approximately \$2.9 million on park-related programs during Fiscal Year 1999. However, Parks spent \$22,322 for trips to colleges for on-campus recruitment, and on office furniture, postage, and parties. These are expenses that violated Parks' own guidelines. Moreover, Parks made \$8,182 in duplicate payments and did not obtain bids for 28 of 115 purchases costing more than \$1,000, as required by Parks' guidelines.

The Foundation did not properly post all revenue and expense transactions on its books and records. Consequently, there was a \$1,193,404 difference between the custodial bank statements and the Foundation's accounting records.

The audit report made the following recommendations that Parks should:

- Require that all proceeds for the custodial and restricted accounts be deposited in the City Treasury. In addition, funds for these accounts on deposit with the Foundation should be transferred to the City Treasury. Until the transfer of these funds is made, Parks should ensure that these funds are reconciled and spent in accordance with Parks' guidelines.
- Cease the practice of instructing individuals and companies to label payments as donations.
- Ensure that all recreation personnel are adequately trained in and follow Parks policies regarding the collection of fees and donations.

The audit report also recommended that the Foundation should:

- Cease accepting moneys for Parks custodial and restricted accounts and forward all balances it manages on behalf of Parks custodial and restricted accounts to the Parks Budget Office.

Parks officials generally agreed with the audit's findings and recommendations, but stated they would spend the remaining funds on deposit with the Foundation rather than deposit them in the City Treasury, as recommended. However, Foundation officials stated that they intend to comply with the audit's recommendation.

Update

Parks reported that it has partially implemented recommendation #1, but has fully implemented the remaining three recommendations.

DEPARTMENT OF PARKS AND RECREATION (DPR)

Audit Report on the Funds Raised by the Marketing Division of the New York City Department of Parks and Recreation and Maintained by the City Parks Foundation

July 1, 1998, through June 30, 1999

Audit # FM01-167A

Comptroller's Audit Library # 7345

Issued: April 17, 2002

Monetary Effect: None

Introduction

This audit determined whether New York City Department of Parks and Recreation's (Parks) Marketing Division (Division) appropriately raised, accurately accounted for, and maintained adequate controls over the "private" funds it raised. This audit covered the period July 1, 1998, through June 30, 1999, and is the third of four reports covering private funds raised by Parks and maintained by the City Parks Foundation (Foundation).

Parks established the Division in 1995 to promote and oversee special events held in City parks. In fiscal year 1999, the Division raised approximately \$1 million.

Results

The Division inappropriately solicited \$377,312 in “donations” by charging permit fees to businesses, organizations, and individuals in exchange for permission to hold private events in City parks. Moreover, the Division bypassed the City Treasury by depositing \$645,444 in private funds with the Foundation during fiscal year 1999.

The Division did not reconcile its records of funds received and deposited with the Foundation with the monthly financial reports it received from the Foundation. As a result, the Division was unaware that a \$250,000 payment from a corporate sponsor was not credited to its account.

City Council hearings regarding Parks’ practice of soliciting donations for special events were held during our audit. In response to those hearings, Parks amended the City Administrative Code to provide a standard fee structure for special events.

The audit report made two recommendations to Parks, that it should:

- Ensure that any remaining Division funds on deposit with the Foundation are transferred to the City Treasury.
- Monitor the Division to ensure that it adheres to the new guidelines set forth in the City Administrative Code.

The audit report also recommended that the Foundation:

- Cease accepting monies from the Division and forward all balances it manages on behalf of the Division to the Parks Budget Office.

Parks and Foundation officials agreed with the audit findings and stated that they implemented the recommendations.

Update

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

DEPARTMENT OF PARKS AND RECREATION (DPR)

Survey of the Environmental and Physical Safety of 13 New York City Department of Parks and Recreation Outdoor Public Swimming Pools

Report # MD02-071S

Comptroller’s Audit Library # 7310

Issued: July 31, 2001

Monetary Effect: Not Applicable

Introduction

The objective of this survey was to determine whether, for 13 pools, certain problems still existed that were cited in previous Comptroller Office reports on the environmental and physical safety of New York City public swimming pools.

The Department of Parks and Recreation (DPR) operated 53 outdoor public pools during the 2001 summer swimming season—33 Olympic and intermediate pools and 20 mini-pools.

The Department of Health (DOH) is responsible for inspecting all pools to ensure that they comply with the City Health Code and the State Sanitary Code. In addition to monitoring by DOH, the pools' conditions are monitored by DPR's Advocate Office, an internal investigative group.

On July 9 and July 17, 2001, we conducted unannounced visual surveys at 13 pools. We surveyed a sample of Olympic and intermediate pools in each borough.

Results

Overall, the pools we visited appeared to be clean, and the atmosphere was pleasant. Lifeguards and other staffers were on duty to keep order and to assist the public. At each of the pools we visited, the water was clear, the pool area was clean, and there were no glass or sharp objects in the pools or on the decks. Furthermore, the locker rooms and bathrooms were relatively clean and in good repair. However, we did find the following problems at certain pools:

- Ten pools had structural and safety hazards, such as uneven pavement or cement, loose ladders, debris in filter baskets, and empty diving pools that were not covered.
- Nine pools had such problems in locker rooms and bathrooms as lack of full working facilities, wet and slippery locker rooms, malfunctioning showers, and peeling or chipped paint.
- Five pools failed to maintain such life saving equipment as rescue poles, ring buoys, rescue tubes, and a designated emergency care area.
- Five pools failed to post signs and regulations stating maximum number of bathers, when use of pool is prohibited, pool regulations, and hours of operation.

Our surveys were visual observations that consisted only of a general look at the overall appearance of the pools. We interviewed neither members of the pool staff nor people using the pool; we did not test the water, nor did we request any pool personnel to test it for chlorine or pH levels. Neither did we review the results of any prior chlorine tests taken by either pool or DOH personnel. Furthermore, due to the nature of our survey, we were unable to ascertain whether the pools had all the necessary lifesaving and first aid equipment. We cannot tell if a more detailed inspection of these or any other City pools would find any safety or environmental problems.

As a result of our survey, we made the following recommendation to DPR officials:

- DPR should follow up on the conditions cited in this report and take any necessary action to correct the problems found.

Update

DPR reported that it will take appropriate steps to correct the conditions cited in the report.

DEPARTMENT OF PARKS AND RECREATION (DPR)

Audit Report on the Effectiveness of the Department of Parks and Recreation in Maintaining City Playgrounds

Audit # MJ02-066A

Comptroller's Audit Library # 7352

Issued: May 14, 2002

Monetary Effect: None

Introduction

This audit determined whether the New York City Department of Parks and Recreation (Parks) adequately maintains and inspects playground areas at City parks, focusing upon the cleanliness and safety of the playgrounds, as well as the maintenance and availability of the play equipment. The audit covered the period July 2000 through February 2002.

The principal mission of Parks is to ensure that the parks and recreational areas of the City are clean, safe, and attractive for the health and enjoyment of people. Parks maintains more than 1,700 parks and recreation facilities throughout the City, including 971 playgrounds used especially by children and equipped with play facilities. The Parks Operations division maintains and operates parks and recreational facilities. To measure how well Operations maintains parks and recreational facilities, the Parks Operations and Management Planning division established the Parks Inspection Program (PIP). PIP inspectors evaluate various park "features" (such as litter conditions and paved surfaces) and document the results in site inspection reports that include recommendations outlining the work needed.

In Fiscal Year 2001, Parks spent \$164,100,124 on park maintenance; \$130,972,673 of this amount was for personal services.

Results

Parks satisfactorily maintained 42 (88%) of the 48 playgrounds sampled in regard to overall cleanliness, based on the auditors' inspection of these parks from June through July 2001. During the second visits to these parks in December 2001 and January 2002, the overall cleanliness of all 48 playgrounds was satisfactory. Furthermore, Parks fixes unsafe conditions that are identified. The auditors did not observe any clear health or safety hazards (e.g., broken play equipment) at the playgrounds visited. The observed conditions correspond with Parks' own inspections. For Fiscal Year 2001, Parks reported that, based on PIP inspections, 91 percent of the City's small parks (including playgrounds) were acceptably clean, and 84 percent were in satisfactory condition overall.

The vast majority of play equipment was present in the playgrounds. However, when equipment is missing, it may not be replaced for six months or longer. Of the 25 swings that were missing during the auditors' first visits, only 13 had been replaced by the time the playgrounds were visited approximately six months later. According to PIP inspection reports, 14 percent of all swings citywide were missing during inspections conducted during the period July 2001 through February 2002.

The report made one recommendation to Parks, specifically, that it improve its timeliness in replacing play equipment that is missing from playground areas. In its response, Parks agreed with the audit's findings and recommendation.

Update

Parks reported that it will continue to place a high priority on replacing play equipment. Swings are usually replaced in the spring.

NEW YORK CITY OFFICE OF PAYROLL ADMINISTRATION (OPA)

Follow-up Audit on the Office of Payroll Administration Small Procurement Operation

Audit # FR02-178F

Comptroller's Audit Library # 7381

Issued: June 17, 2002

Monetary Effect: None

Introduction

This follow-up audit determined whether the New York City Office of Payroll Administration implemented the six recommendations made in a previous audit report, *Audit Report on the New York City Office of Payroll Administration Small Procurement Operation* (Audit No. FR97-150A issued June 25, 1997). The previous report evaluated the Department's compliance with City guidelines pertaining to its small procurement and vouchering practices.

The previous audit found that OPA: violated PPB rules by artificially dividing purchases in order to meet the small purchase requirements; did not always solicit bids, when required; did not, as required by PPB rules, indicate in its purchase files that the price paid was lower than the prevailing market rate when it purchased items from vendors with State contracts; charged the incorrect object codes; did not always provide adequate justification for using sole source vendors; and, issued purchase orders that lacked complete specifications.

Results

This follow-up audit concluded that of the six recommendations made in the previous report, two have been implemented, two have been partially implemented, one has not been implemented, and one is not applicable. The two recommendations that were implemented dealt with OPA obtaining bids and entering into contracts when required by PPB rules. The two recommendations that were partially implemented dealt with issuing purchase orders with complete and accurate specifications and ensuring that correct object codes are charged. The recommendation that was not implemented dealt with documenting intergovernmental transactions. The recommendation that is no longer applicable dealt with adequately documenting the use of sole source vendors.

To address the problems that still exist, the audit recommended that OPA should:

- Ensure that all purchase orders contain clear, precise, and accurate specifications.
- Make a concerted effort to research the market to determine that the prices listed in the New York State contracts are lower than the prevailing market prices at the time of procurement. OPA should document this research in the purchase files.
- Carefully review the Chart of Accounts and use the correct object codes for its expenses.

In its response, OPA stated that it has taken or will take the steps necessary to "assure that the cited recommendations are fully implemented."

Update

OPA reported that all of the audit's recommendations were implemented.

NEW YORK CITY POLICE DEPARTMENT (NYPD)**Audit Report on the Development and Implementation of the Police Department's Auto Pound System**

Audit # 7A02-061

Comptroller's Audit Library # 7405

Issued: June 25, 2002

Monetary Effect: None

Introduction

The NYC Police Department's (NYPD) Property Clerk Division (Division) accepts, catalogs, safeguards, stores, and produces for the court property that is in the custody of NYPD. Vehicles, parts, motorcycles, and marine craft are stored by NYPD at three vehicle storage sites—College Point, Queens; Gowanus, Brooklyn; and, Erie Basin, Brooklyn. Such vehicle-related items, when received, are inspected and entered into the NYPD Auto Pound computer system. In 2000, as part of the Year 2000 remediation, it was decided to upgrade the Auto Pound system to allow the NYPD Support Services Bureau to monitor the three vehicle storage sites from One Police Plaza by linking the sites into one network. NYPD contracted with Information Builders Inc., at a cost of \$249,200, to design and implement the upgraded system.

Results

Our user satisfaction survey indicated that the upgraded Auto Pound system meets user needs and that users were generally satisfied with the system. In addition, the upgraded system allows for future enhancements and further periodic upgrades. However, the methodology used by NYPD in the creation of the upgraded Auto Pound system did not ensure that all needed aspects of the system were provided or developed. Also, users stated that they had problems accessing the system and entering data, and complained about the system's slow response time. Had NYPD used an independent quality assurance individual, these problems could have been identified and resolved during the development of the system. Finally, NYPD does not ensure that inactive users are eliminated from the system, and it does not have a complete, formally approved Disaster Recovery Plan for the system.

The audit made seven recommendations, including that NYPD:

- Meet with system users and resolve the problems identified in this report.
- Develop written security policies and procedures for Auto Pound. These procedures should require that access to the system be terminated for inactive users.
- Develop a formal Disaster Recovery Plan for the Auto Pound system and ensure that it is tested in accordance with Directive 18.
- Use an independent quality assurance individual for all future system development projects.

NYPD agreed to implement three of the report's seven recommendations, pertaining to: following a formal system development methodology on future system development projects; using an independent quality assurance individual on future projects; and obtaining any missing documents for Auto Pound, as required by the task orders. NYPD responded that it had taken actions independent of the audit to address the remaining four recommendations, pertaining to developing procedures for disaster recovery, maintenance, system security; and meeting with users to resolve the system problems identified in this report.

Update

NYPD reported that it is implementing two of the three audit recommendations that it agreed with as follows:

- The Management Information System's Division (MISD) met with Information Builders and has received all of the outstanding documents needed to support this application.
- NYPD plans to establish a Project Management Office that would use a quality assurance person to oversee future systems development projects. This will be done as soon as funding is available.

NYPD is exploring the possibility of implementing the third recommendation. The Project Management Office, once established will be developing standards and methodologies for future systems development projects. NYPD is exploring alternative funding sources.

NEW YORK CITY POLICE DEPARTMENT (NYPD)

Audit Report on the Police Department's Mainframe Data Center

Audit # 7A02-156

Comptroller's Audit Library # 7361

Issued: June 5, 2002

Monetary Effect: None

Introduction

This audit determined whether the New York City Police Department's (NYPD) mainframe data center has adequate physical security and computer system security, and whether computer operations and contingency plans have been tested in compliance with applicable federal and City guidelines. Audit fieldwork began in March 2002 and ended in April 2002

NYPD uses three mainframe computers: A single-processor mainframe computer system supporting the mission-critical Special Police Radio Inquiry Network (SPRINT) computer-assisted dispatching system for response to the public's emergency "911" calls; and a dual-processor mainframe computer system for processing more than 50 other (i.e., non-SPRINT) mission and administrative support applications. NYPD's Management Information System Division (MISD) is responsible for the data center operations, and for developing, implementing, and periodically testing the data center's disaster recovery plans.

Results

NYPD has adequate physical security controls, computer system controls, and operational and general controls in place to ensure that the data center is adequately safeguarded. Physical security at the data center is above standard. Data backup is performed and computer operating statistics are regularly reviewed for problems. In addition, detailed system downtime reports are maintained, which allows management to correct systemic problems. However NYPD does not have formal test procedures for its SPRINT system's Disaster Recovery Plan, and it has not fully implemented a Disaster Recovery Plan for its non-SPRINT computer operations. The audit made two recommendations, that NYPD officials should:

- Establish formal testing procedures as part of SPRINT's Disaster Recovery Plan. Specifically, NYPD should:
 - Determine the proper test frequency and establish a test schedule;
 - Develop test objectives and establish individual participant assignments;
 - Document the test results, including notations of any changes to hardware and software configurations; and
 - Implement a formal test result review process to address any open issues.
- Attempt to expedite the approval process of the contracting for the non-SPRINT disaster recovery services by ensuring that all necessary items for approval are in place. In this regard, NYPD should contact each approval agency to emphasize the importance of this backup system and to determine what information that agency still needs to receive before it approves the contracting.

NYPD agreed with the audit's recommendations.

Update

NYPD reported that it has implemented both recommendations as follows:

- MISD has developed a formal Disaster Recovery Plan that addresses the items in the audit report. This Plan is tested every three months.
- MISD is in the process of resolving the language in the contract for the non-SPRINT Disaster Recovery Services with the Law Department, IBM, and the Contract Administration Office. The contract has been written, but must be approved by these offices.

NEW YORK CITY POLICE DEPARTMENT (NYPD)

Follow-up Audit Report on the New York City Police Department Implementation of the Enhanced 911 (E911) System

Audit # 7F01-134

Comptroller's Audit Library # 7314

Issued: September 5, 2001

Monetary Effect: None

Introduction

This follow-up audit determined whether the New York City Police Department (NYPD) implemented the eight recommendations made in an earlier audit, *Audit Report on the New York City Police Department Implementation of the Enhanced 911 (E911) System* (Audit No. 7A97-062, issued June 17, 1997), which assessed the implementation status of the E911 System and determined whether NYPD had procedures in place to monitor the implementation costs. The audit noted that the implementation of E911 was behind schedule. The E911 system was designed to be housed in two Public Safety Answering Centers (PSAC 1 and PSAC 2), and some of the tasks associated with PSAC 1 had not been completed: the Computer-Aided Dispatch support system (CAD) had not been installed, and the wireless interfaces to police car Mobile Data Terminals (MDTs)—which require that the CAD system be operational—were not installed.

CAD was to provide data processing and distribution capability to 175 workstations as well as to external agencies, mobile data terminals, and handheld radios. During the prior audit, NYPD stated that CAD would be completed in late 1997. NYPD now anticipates that it will begin design and implementation of CAD in early 2002.

Results

Of the eight recommendations in the prior report, five were implemented, one was partially implemented, one was not implemented, and one is no longer applicable.

The five recommendations that were fully implemented pertained to: revising the E911 project plan to reflect the status of incomplete PSAC 1 tasks; working with City oversight agencies to expedite the selection of a site for PSAC 2; producing comprehensive Backup Operating Procedures for disaster recovery functions for use at police headquarters; establishing a training program for specific use by E911 personnel in the event of an E911 failure at PSAC 1 that would require that E911 backup functions be performed at police headquarters; and educating police personnel and evaluate field operations regarding Crime-in-Progress (CIP) responses to make certain that "first on-the-scene" police personnel report their arrival to Radio Dispatchers "to close_out the time loop", which factors into CIP response time recording.

The one recommendation that was partially implemented pertained to re-training Call Operators on the E911 equipment, and ensuring that the training costs are absorbed by the contractor as a consequence of the late delivery of training materials.

The one recommendation that was not implemented was to activate the wireless interfaces to police car MDTs and the MDT button feature for automatic notification to Radio Dispatchers of police arrival on the scene of an emergency call.

The one recommendation that is no longer applicable was that NYPD make every effort to ensure that Systemhouse (contractor for E911, now named iXP Corp.) promptly delivers all training materials.

As a result of CAD not being implemented, NYPD is still relying on the old 911 dispatch system known as SPRINT. Given the history of delays associated with the development and implementation of CAD and the probability that CAD will not be fully implemented until late 2005, NYPD must ensure that SPRINT is maintained as an integral part of its E911 System until the new CAD System has been installed and tested.

To address the unresolved issue and an issue related to the delayed implementation of CAD, the report recommended that NYPD:

- Prepare an E911 project strategy plan that addresses the continued operation of the E911 System for an extended period of time without a new CAD. The plan should include provisions for ensuring that SPRINT (the old CAD) continues to meet the needs of the E911 System.
- Implement the MDT interface fully after implementation of the new CAD system.

NYPD officials stated that while they considered the recommendations valid they believe that they were already taking the recommended actions independent of the audit. NYPD officials stated that the recommended MDT interface is included in the CAD RFP. In response to the report's recommendation regarding a strategy plan, NYPD described the existing routine maintenance procedures for its SPRINT system. However, our recommendation was intended to ensure that SPRINT has the storage space capacity to complement E911. Clearly, this issue is not addressed through routine maintenance of a system.

Update

NYPD reported that it is taking the following steps with regard to the two audit recommendations:

- NYPD plans to continue using SPRINT as a complement to E911 until CAD is in full operation. NYPD has increased the storage capability of SPRINT to the extent that it can now store two years of data, which can be increased if necessary.
- The MDT button feature will be implemented after the new CAD system is online, in approximately 24 months.

NEW YORK CITY POLICE DEPARTMENT (NYPD)

Follow-up Audit Report on the Opportunities for Savings in Administrative Units through Civilianization in the New York City Police Department

Audit # MG02-164F

Comptroller's Audit Library # 7360

Issued: May 29, 2002

Monetary Effect: Potential Savings: \$15.2 million

Introduction

The New York City Police Department's mission is to protect the lives of New York's residents and visitors by enforcing the City's laws, by pursuing law violators, and by deterring crime. The Department also responds to emergencies and disasters; maintains order at public events and demonstrations; intervenes in family disputes; refers people in distress to appropriate social service agencies; and instructs the public in effective crime prevention.

To accomplish these missions, the Police Department assigns uniformed personnel to patrol or enforcement functions, or to other operational duties requiring the special skills of trained uniformed officers. The patrol functions include the Patrol Services, Housing, Transit, Internal Affairs, and Organized Crime Control Bureaus. Enforcement units consist of radio patrol car units, foot patrol units, specialized crime-fighting units, and miscellaneous enforcement units.

Non-enforcement units perform administrative functions (e.g., planning, budgeting, and public relations) usually found in large organizations, as well as other functions (e.g., fingerprinting, guarding impounded property, and distributing police barriers for crowd control purposes) specific to police departments.

In October 1990 the Police Department issued a report entitled *Staffing Needs of the New York City Police Department* (Staffing Needs Report), which was the result of a comprehensive study of the entire Department's staffing. The report stated that the Department needed to increase its uniformed officer headcount by 9,603, but that 1,626 of the positions could be obtained through civilianization.

On February 1, 1999, the New York City Comptroller's Office issued an audit report entitled *Audit Report on the Opportunities for Savings through Civilianization in the New York City Police Department* (MH96-154A) that was based to a large extent on the Staffing Needs Report. The audit report recommended that the Police Department civilianize 1,257 positions--408 in the precincts and 849 in the 34 administrative units our auditors studied. Since the audit, the Police Department claims that it has civilianized 500 positions, mostly in the precincts and other enforcement units.

In light of the City's budget crisis, the New York City Comptroller decided to conduct a follow-up audit of the Police Department to determine whether there still were opportunities for cost savings by civilianizing non-enforcement positions held by uniformed officers. Soon after this follow-up audit was initiated, the Police Department announced that it planned to civilianize an additional 800 positions, all of which would be located in the precincts and other enforcement units. As a result of this announcement, the Comptroller's Office decided to focus this follow-up audit on administrative units.

The objectives of this follow-up audit were (1) to determine how many non-enforcement positions within the 34 previously audited administrative units were still staffed by uniformed officers; and (2) to calculate the annual savings that the Police Department could achieve by civilianizing these positions.

Results

The follow-up audit reviewed the extent to which the Department implemented our earlier recommendation that 849 positions in 34 administrative units be civilianized. Our auditors compared the staffing levels of uniformed officers and civilian personnel in these units as of February 14, 2002 according to the Payroll Management System, with the staffing levels and numbers of civilianizable positions identified during our earlier February 1, 1999 audit report.

Our auditors estimated the cost savings that the Police Department could achieve through an expanded civilianization effort by calculating the difference between the uniformed officers' current salary and fringe benefit cost, and the average salary and fringe benefit cost of civilians qualified to perform comparable job duties. Based on current salary information in the Payroll Management System and in the Fiscal Year 2003 Executive Budget, and fringe benefit information obtained from the Mayor's Office of Management and Budget, our auditors estimated the cost savings that the Police Department could achieve through an expanded civilianization effort. The Comptroller's Office recognized that functions might have changed to some extent in the 34 administrative units since the previous audit, but nonetheless concluded that staffing level comparisons for these units can provide valuable insights into the further potential for cost savings through increased civilianization efforts by the Police Department.

In 26 of the 34 administrative units reviewed, our auditors concluded there were many officer positions that can still be civilianized. Our auditors estimated that the Police Department could save over \$15.2 million annually by employing civilians in 831 non-enforcement positions filled by uniformed officers as of February 14, 2002.

Based on these results, the Comptroller's Office recommended that the Police Department review all of its administrative (and enforcement) units to identify additional positions that can be civilianized. The follow-up audit also recommended that the Police Department review the total staff increase of 521 uniformed and civilian positions in 20 of the 34 administrative units since the previous audit. The Comptroller's Office concluded that through enhanced civilianization and efficiency efforts, the Police Department will be better positioned to maintain the quality of its police services while contributing much needed savings for the City's budget.

In its written response to the follow-up audit's findings and recommendations, the Police Department raised certain objections to our audit methodology, but stated that the Department "agrees in spirit with the Comptroller's audit,... acknowledges that there are numerous positions within administrative units that are suitable for civilianization,... and is currently reviewing the administrative commands."

Update

NYPD reported that it has attempted to implement one recommendation, stating: "as a result of a survey on administrative commands, NYPD has identified an additional 460 positions that could be civilianized if funds were available."

DEPARTMENT OF PROBATION (DOP)

Audit Report on the Contract of New York Therapeutic Communities With the Department of Probation

Audit # FL02-157A

Comptroller's Audit Library # 7390

Issued: June 24, 2002

Monetary Effect: None

Introduction

New York Therapeutic Communities (NYTC) operates a residential treatment facility for probationers under a contract with the Department of Probation (DOP). The audit determined whether NYTC maintained adequate internal controls over the receipt and expenditures of contract funds, and spent all funds on program-related expenses. The audit covered the period July 1, 2000, to June 30, 2001.

Results

NYTC generally adhered to the provisions of its agreement with DOP and had an adequate system of internal controls over the recording and reporting of its revenues and expenses. Specifically, NYTC:

- Properly recorded all revenues received from DOP;
- Properly recorded all expenses charged to the DOP contract;
- Ensured that expenses charged were in accordance with the DOP-approved budget;
- Provided adequate supporting documentation for all expenses;
- Maintained adequate timekeeping records for its employees;
- Properly allocated salaries to the DOP contract for those employees working on multiple contracts; and,
- Maintained the facility in a safe and sanitary manner.

In view of these findings, the report made no recommendations.

RETIREMENT SYSTEMS

NYC Teachers' Retirement System Pedagogical Pensioners Working for the City after Their Retirement

Audit # FL 02-101A

Comptroller's Audit Library # 7351

Issued: May 13, 2002

Monetary Effect: Potential Savings: \$262,688

Introduction

This audit determined whether any New York City Teachers' Retirement System (TRS) retirees were illegally re-employed ("double-dipping" or "disability violating"), and quantified the amounts of improper pension payments to any individuals who appeared to be violators of RSSL §211 and §212, or New York City Charter § 1117, during calendar year 2000.

Results

Thirty-seven TRS retirees obtained \$262,688 in pension payments that appeared to be in violation of applicable laws and regulations.

The report made six recommendations, specifically that TRS officials:

- Investigate the individuals identified as concurrently receiving a pension while being re-employed 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 70 and to all disability retirees that clearly state their responsibilities regarding public service re-employment.
- Set up a monitoring program, in conjunction with the other retirement systems, to identify those City retirees re-employed in New York public service.
- Reinforce to City agencies, in conjunction with the other retirement systems, the importance of maintaining effective procedures to ensure that City pensioners comply with State and City laws regarding public service re-employment.

Update

TRS officials reported that they are in full compliance with the audit's recommendations.

RETIREMENT SYSTEMS

New York City Pensioners Working for New York State after Their Retirement

Audit # FL 02-102A

Comptroller's Audit Library # 7417

Issued: June 27, 2002

Monetary Effect: Potential Savings: \$121,132

Introduction

This audit determined whether any New York City pensioners were illegally re-employed by New York State ("double-dipping" or "disability violating"), and it quantified the amounts of improper pension payments to any individuals who appeared to be violators of RSSL §211 and §212, or New York City Charter § 1117, during calendar year 2000.

Results

The audit identified 13 retirees from the New York City Retirement System (NYCERS), and the Teachers Retirement System (TRS) who collected approximately \$121,132 in calendar year 2000 pension payments that appear to violate applicable sections of the New York State Retirement and Social Security Law § 211 or § 212. The audit did not identify any retirees from the New York City Board of Education Retirement System (BERS) who appeared to be in violation.

The breakdowns for the two New York City retirement systems are as follows:

Retirement System	Service Retirees	Disability Retirees	Total Retirees	Improper Pension Payments
TRS	8	0	8	\$71,177
NYCERS	<u>5</u>	<u>0</u>	<u>5</u>	<u>49,955</u>
Total	<u>13</u>	<u>0</u>	<u>13</u>	<u>\$121,132</u>

Consequently, the audit recommended that officials of TRS, NYCERS, and BERS:

- Investigate those individuals identified as receiving pensions while being re-employed 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 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 70 and to all disability retirees that clearly state their responsibilities regarding public service re-employment.

TRS, NYCERS, and BERS agreed with the report's recommendations.

Update

TRS reported that it is in full compliance with the audit's recommendations.

NYCERS reported that it has implemented all four +audit recommendations including the following:

NYCERS has investigated the five pensioners identified in the audit and determined that one of the pensioners was not in violation because the person retired from Transit. As a Transit retiree, there are no earning limitations if you are re-employed by the City. Of the remaining four pensioners, one pensioner was suspended because that person joined the New York State Retirement System. NYCERS has been recouping from the other three pensioners who are in violation.

NYCERS has either recouped or is in the process of recouping prior pension overpayments cited in previous audits.

RETIREMENT SYSTEMS

New York City Employees' Retirement System Pensioners Working for the City after Their Retirement

Audit # FL 02-104A

Comptroller's Audit Library # 7413

Issued: June 25, 2002

Monetary Effect: Potential Savings: \$3,734

Introduction

This audit determined whether any New York City Employees' Retirement System (NYCERS) retirees were illegally re-employed ("double-dipping" or "disability violating"), and it quantified the amounts of improper pension payments to any individuals who appeared to be violators of RSSL §211 and §212, or New York City Charter § 1117, during calendar year 2000.

Results

This audit did not identify any NYCERS retirees who were in violation of RSSL § 211 or § 212, or who were in violation of § 1117 of the New York City Charter. However, the audit identified one individual who improperly received and cashed 14 pension checks totaling \$3,734 from July 1999 through August 2000. According to NYCERS officials, this individual filed an "Application for Service Retirement" on April 15, 1999, stating that she was retiring from her Clerical Associate title at the Department of Finance on June 11, 1999. However, according to Department of Finance officials, this individual did not retire until August 21, 2000. Consequently, 14 pension checks were inappropriately issued to this individual.

The report recommended that NYCERS officials:

- Recoup the \$3,734 in improper pension payments cited in this report.
- Review City Payroll Management System records to ensure that individuals filing for retirement benefits are actually off the City payroll before issuing pension checks to them.

In their response, NYCERS officials did not agree with the report's findings and recommendations, stating there was difference of opinion concerning what constitutes employment after retirement and eligibility to be covered under the law. However, upon further review by the Comptroller's Counsel, we maintain our position as stated earlier.

Update

NYCERS did not address the recommendations for this audit in its status report.

RETIREMENT SYSTEMS

Non-Pedagogical Pensioners of the New York City Board of Education

Working for the City after their Retirement, January 1, 2000, to December 31, 2000

Audit # FL02-106A

Comptroller's Audit Library # 7337

Issued: April 3, 2002

Monetary Effect: Potential Savings: \$1,437

Introduction

This audit identified those New York City Board of Education Retirement System (BERS) non-pedagogical pensioners who were illegally re-employed in public service (“double-dippers” or “disability violators”), and quantified the amounts of any improper pension payments to individuals who appeared to be violators of New York State Retirement and Social Security Law § 211 and § 212, or of New York City Charter § 1117, during calendar year 2000.

Results

A computer match of BERS pensioners against a listing of all City workers who received W-2 wage statements identified 25 BERS pensioners. Two of the 25 received earnings in excess of the legal limitation of \$17,000 for service retirees in calendar year 2000 and did not have the required waiver in the BERS files. These two individuals also obtained \$1,437 in pension payments that appeared to be in violation of applicable laws and regulations.

This audit and audits of two other retirement systems (Teachers' Retirement System, Audit #FL02-101A, and New York City Employees' Retirement System, Audit #FL02-104A) found the following problems regarding City pensioners being re-employed by the City:

- Inadequate, or lack of, monitoring of City pensioners re-employed by the City; and
- Failure by City agencies to ensure that City retirees comply with State and City laws regarding public service re-employment.

Normally, we also audit the remaining two systems—FIRE and POLICE. However, these audits were postponed because of the World Trade Center tragedy.

The report made six recommendations to BERS. BERS officials agreed with two of the six recommendations. The two recommendations related to investigating individuals who are receiving pensions while being re-employed in public service and forwarding to the Department of Investigation, if warranted, the names of those individuals found to be illegally collecting pensions. BERS officials did not respond to the remaining four recommendations that related to: ascertaining whether previous pension overpayments have been recouped and whether current pensions have been suspended for cited individuals; sending to service retirees special reminders that state their responsibilities regarding public service re-employment; setting up a monitoring program to identify those City retirees re-employed in New York public service; and reinforcing to City agencies the importance of maintaining effective procedures.

DEPARTMENT OF SANITATION (DOS)

Second Follow-up Audit of the Internal Controls for the Computer Network at the New York City Department of Sanitation

Audit # 7F02-068

Comptroller's Audit Library # 7335

Issued: March 13, 2002

Monetary Effect: None

Introduction

This second follow-up audit determined the implementation status of recommendations made in a previous audit report of the Department of Sanitation (DOS), *Follow-up Audit of the Internal Controls for the Computer Network at the New York City Department of Sanitation* (#7F99-231, issued June 8, 2000). The first follow-up audit evaluated DOS's progress in resolving the issues that were reported in an initial audit of the DOS computer network, *Audit Report of the Internal Controls for the New York City Department of Sanitation's Computer Network* (#7A98-094, issued June 30, 1998). The first follow-up audit found that DOS did not have formal written policies and procedures governing its computer network; did not have controls over its computer equipment inventory; and needed to improve its access security controls and program change controls. Consequently, the first follow-up audit made 16 recommendations.

This second follow-up audit evaluated DOS's formal Management Information System (MIS) manual and the implementation of policies and procedures included in the manual; tested DOS access security controls and program change controls; and evaluated DOS computer equipment inventory controls.

Results

Of the 16 recommendations made in the first follow-up audit report, nine were implemented, three were not implemented, and 4 were partially implemented. Specifically, DOS has created a formal MIS manual, and has improved its access security controls and program change controls, as well as its controls over its computer equipment inventory.

However, DOS has not fully implemented System Development Life Cycle policies and procedures for all systems development and modifications. Also, DOS has not performed an agency-wide physical inventory of all its software, and it does not have a uniform Asset Identification System to identify and track its computer hardware. Finally, DOS does not have a formal disaster recovery plan to address its Local Area Network (LAN) and Wide Area Network (WAN).

Two new issues were raised during this audit. The first was that DOS had never performed an agency-wide physical inventory for its computer hardware. The second new issue concerned DOS's controls over Internet access. As part of a citywide requirement, agencies planning to install an agency-wide Internet link must first submit their proposals to the Department of Investigation for approval. DOS does not have an agency-wide Internet link; it has certain controls over Internet access by 53 stand-alone computers. However, DOS has no Internet user restrictions on downloading information from the Internet to the LAN/WAN.

The report made seven recommendations, among them that DOS should include a complete computer inventory procedure in the MIS manual; regularly perform a physical inventory of its hardware and software; implement a uniform Asset Identification System; develop a disaster recovery plan to cover its LAN/WAN; and create policies to restrict the Internet users from downloading information from the Internet to the LAN/WAN.

DOS generally agreed with the audit findings and is implementing all seven recommendations.

Update

DOS reported that it has implemented five recommendations and is in the process of implementing two recommendations as follows:

- DOS has included formal procedures for its computer inventory in the MIS manual.
- DOS has verified the licensed software used within the agency.
- DOS has modified its computer systems acceptance forms in order to include a space for the Project Leader/Manager's signature.
- DOS has established a formal disaster recovery plan for its mainframe environment. This plan is now in the procedures manual.
- DOS has a policy for download restrictions in its Internet procedures. DOS will issue reminders to users to reaffirm this policy.
- DOS continues to search for a full-time Data Base Administrator.
- DOS is in the process of performing an inventory of its computer hardware.

SCHOOL CONSTRUCTION AUTHORITY (SCA)

Audit Report Evaluating the Response and Follow-up of the School Construction Authority to Its Customer Satisfaction Surveys

Audit # MD01-198A

Comptroller's Audit Library # 7383

Issued: June 18, 2002

Monetary Effect: None

Introduction

The School Construction Authority (SCA) was established in 1988 by the New York State Legislature to manage the design, construction, and renovation of New York City public schools.

This audit evaluated whether the SCA mailed Customer Satisfaction Surveys to all principals of schools for which construction projects were completed during the fiscal year and whether the SCA resolved problems cited in the returned survey responses.

A 1997 audit by the New York State Comptroller's Office recommended that the SCA establish a system that provided for follow-up of completed projects and that it obtain feedback from its customers about the quality of SCA-supervised construction work. In response, the SCA created a Customer Satisfaction Survey that is mailed every October to all principals of schools for which projects were substantially completed during the prior fiscal year.

In October 2000, the SCA sent 1,063 Customer Satisfaction Surveys to school officials for all projects completed by the SCA during Fiscal Year 2000. Of the 1,063 surveys that were sent, 433 (41%) generated responses. The responses showed: 247 (57%) were satisfied with SCA's work, 77 (18%) had minor problems with SCA's work, 90 (21%) had serious problems with SCA's work, and 19 (4%) stated that the work had been done by the Board of Education, not the SCA.

Results

The Customer Satisfaction Survey is an important communication tool to help ensure that City public schools are safe and well maintained. The audit concluded that all surveys received by the SCA were correctly coded to show the level of customer satisfaction. A resolution plan was developed for surveys for which follow-up action was needed. In addition, the Survey Tracking System was properly maintained. However:

- Surveys are often mailed out many months after a project has been substantially completed, because of SCA's policy that the surveys be mailed once a year, during the month of October.
- SCA does not take follow-up action regarding Customer Satisfaction Surveys that receive no response.
- SCA does not ensure that schools are satisfied with the follow-up work done by the Project Management Unit, which is supposed to address problems reported by those schools on their Customer Satisfaction Survey responses.

- The Project Management Unit does not always submit follow-up action plans to the Community Relations Division within the SCA’s required 30-day time period.

This audit made four recommendations to SCA officials, the most significant of which are:

- The SCA’s Community Relations Division should mail Customer Satisfaction Surveys immediately or soon after each project’s substantial completion.
- The SCA’s Community Relations Division should follow up with a phone call or letter to schools that do not respond to the surveys.
- The SCA’s Project Management Unit should resolve problems cited in red-coded survey responses in a more timely manner, and then ensure that the corrective actions submitted by the Project Management Unit are in fact completed. When the reported problems are not covered under the project contract or are not the responsibility of the SCA, the agency should nonetheless follow up with schools officials, notifying them that the work cannot be handled by the SCA.

SCA officials agreed with the audit’s findings and with three of the four recommendations. They did not agree with the recommendation to mail Customer Satisfaction Surveys immediately or soon after each project’s substantial completion.

Update

SCA reported that it is in the process of implementing one recommendation and has implemented two recommendations, as follows:

- 820 surveys were mailed during the third week of October. SCA plans to send follow-up letters and a second copy of the survey to all schools that do not respond to the surveys.
- SCA has issued PM Bulletin 02-14, which requires Project Managers to resolve problems cited in red-coded survey responses more timely and ensure that corrective actions have been completed. In addition, the PM Bulletin 02-14 requires that the Community Relations Division receives school construction project resolution plans within the required 30 days.

DEPARTMENT OF TRANSPORTATION (DOT)

Audit Report on the Effectiveness of the DOT Customer Service Call Center (CALLDOT)

Audit # MH02-136A

Comptroller's Audit Library # 7377

Issued: June 14, 2002

Monetary Effect: None

Introduction

The New York City Department of Transportation (DOT) maintains the city's streets and many of its bridges and highways and operates the Staten Island Ferry and many parking lots and garages in the City. In 1996, DOT installed an automated customer service telephone line system, CALLDOT, that offers recorded information, as well as a mechanism to make complaints and requests within DOT's service areas. After September 11, 2001, the CALLDOT Call Center moved its operations from 40 Worth Street to a temporary location in Queens where it shares office space with other DOT units. CALLDOT performs many functions manually that formerly were handled automatically.

The objectives of this audit were to determine whether CALLDOT is in compliance with the Citywide Phone Standards for Customer Service and whether it provides accurate and useful information to callers.

Results

Overall, CALLDOT complies with the Citywide Standards set forth by the Mayor's Office of Operations and provides useful information to its customers. Call Managers are courteous and friendly, and handle calls in a professional and efficient manner. The CALLDOT staff answered telephone calls within three rings, met the two-minute hold-time standard, and called callers back about the status of their complaints. CALLDOT also promptly mailed accurate and useful information when requested to do so.

However, the audit found some weaknesses that affect CALLDOT's ability to provide the best possible service. When Call Managers did not know the answer to the auditors' questions regarding municipal parking lots, private ferry and bus services, and travel updates due to bridge construction projects, they failed seven (7%) out of 95 times to provide an answer to those questions or to provide a referral telephone number. Moreover, the telephone referral numbers Call Managers provided were incorrect 10 (22%) out of 45 times, mostly because the DOT Yellow Pages were sometimes incorrect or incomplete and updated DOT-related information from other DOT units was received sporadically. In addition, calls were sometimes disconnected or never connected to a Call Manager. The current phone system at the Queens location is limited in its ability to handle a large number of calls and does not have an Automatic Call Distributor (ACD) system that can provide CALLDOT with diagnostic reports.

To address these findings, the audit made six recommendations, including that DOT should:

- Update the DOT Yellow Pages more frequently and evaluate the possibility of using an automated database with search capabilities to store referral phone numbers and to replace the hard-copy Yellow Pages.
- Develop a better system of communicating between DOT unit heads and CALLDOT that will ensure that new and updated transportation information is regularly and promptly sent to CALLDOT.
- Continue to request that the Mayor’s Office of Operations allow CALLDOT to return to its Manhattan office location, where it has an ACD system. If the return to the Manhattan Office is delayed beyond a reasonable time, DOF should install its ACD system at the Queens location.

DOT agreed with all of the recommendations made in this audit.

Update

DOT reported that effective December 13, 2002, the Call Center was transferred to DoITT (59 Maiden Lane) as part of the Mayor's 3-1-1 initiative. DoITT has hired a vendor to develop a Citywide Knowledge Base that will provide call takers with up-to-date information on all City services and directories.

DEPARTMENT OF YOUTH AND COMMUNITY DEVELOPMENT

Audit Report on St. Christopher-Ottile's Contract with the Department of Youth and Community Development

Audit # FL02-159A

Comptroller's Audit Library # 7386

Issued: June 20, 2002

Monetary Effect: None

Introduction

The audit determined whether St. Christopher maintained adequate internal controls over the receipt and expenditures of contract funds, and spent all funds on program-related expenses. The audit covered the period July 1, 2000, to June 30, 2001.

Results

St. Christopher generally adhered to the provisions of its agreement with DYCD and had an adequate system of internal controls over the recording and reporting of its revenues and expenses. However, St. Christopher did not always follow DYCD guidelines when processing petty cash disbursements. In addition, St. Christopher could not account for a digital camera and a vacuum cleaner purchased with contract funds. It would cost St. Christopher \$554 to replace these items.

The report made three recommendations: that St. Christopher ensures that all petty cash payments are processed in accordance with DYCD's Fiscal Manual and all equipment purchased is properly safeguarded and accounted for; and that DYCD ensures that St. Christopher implements the audit recommendations.

In their responses, St. Christopher and DYCD agreed to implement the report's recommendations. However, St. Christopher did not believe that the digital camera the report cited as missing was, in fact, missing, but acknowledged that any equipment purchased with program funds is the property of DYCD and must be properly safeguarded.

Update

St. Christopher and DYCD reported that all of the audit's recommendations have been implemented.

DEPARTMENT OF YOUTH AND COMMUNITY DEVELOPMENT (DYCD)

Audit on the New York City Department of Youth and Community Development's Citizenship New York City Program

Audit # MG01-186A

Comptroller's Audit Library # 7374

Issued: June 13, 2002

Monetary Effect: None

Introduction

In July 1997, the Department of Youth and Community Development (DYCD) initiated the Citizenship New York City (CNYC) program to provide citizenship services to legal immigrants (immigrants who have a green card or permanent visa) living in New York City. This program was created as the result of the federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996. PRWORA eliminated virtually all eligibility of immigrants for Supplemental Security Income (SSI) and food stamps.

One of the ways immigrants remain eligible for federal benefits is by becoming naturalized U.S. citizens. The objectives of CNYC are to reach the population deemed most at risk of losing or not obtaining federal benefits and to help individuals prepare applications for citizenship.

Results

The audit objectives were to determine the effectiveness of the CNYC program and to determine whether the funds were expended on program-related goods and services. CNYC measures its effectiveness by the number of applications it submits to INS. Based on this measurement, CNYC is doing a good job. The number of applications completed by CNYC and submitted to INS has steadily increased from 5,607 in Fiscal Year 1998 to 10,273 in Fiscal Year 2001. The number of appointments made and applicants served has also increased each year. Additionally, CNYC's Other Than Personal Services funds were used appropriately for goods and services that were necessary and applicable to the program.

However, improvements can be made to further enhance the program, especially in terms of measuring its effectiveness. Although CNYC knows the number of applications it submitted to INS, it does not know whether the applicants it assisted ultimately became U.S. citizens. CNYC has not initiated a formal process to determine the outcome of its efforts.

CNYC staff did not always attempt to contact all the individuals in the database, as required by its manual, and contacted some individuals who should not have been contacted, since outreach had already been completed. In addition, CNYC's manual failed to address the steps that should be taken by the staff when the telephone of the person they are trying to contact has been disconnected.

Moreover, CNYC does not report on what percentage of individuals who completed the application process are at risk. Furthermore, during the review, the CNYC database did not have a date field indicating when the applicant's name was entered in the system. Finally, the supervisory review and the forwarding of applications to INS were not always done in a timely fashion.

The audit made 13 recommendations, which are listed below. CNYC officials should:

- Formalize the process for determining the citizenship status of program applicants;
- Develop and report upon performance indicators that set goals, then measure the actual outcome of the program as a percentage of applications submitted to INS;
- Ensure that the staff completes all outreach efforts to each individual in its database;
- Ensure that the staff does not make additional contacts in cases where contact has already been completed;
- Address in the CNYC manual what steps should be taken when telephones are disconnected;
- Ensure that the event listing case notes include all attempts at contact, including letters sent through bulk mailings;
- Continue to generate exception reports;
- Require that its staff obtain and record the risk status of walk-in applicants;
- Report in the Mayor's Management Report the percentage of applications filed with INS for individuals who were at risk;
- Determine whether CNYC's stated mission is still viable;
- Make sure that the CNYC database continues to maintain a visible date field
- Ensure that supervisory reviews are done on the day that processing is completed
- Consider defining an acceptable time frame between the quality assurance review and the forwarding of applications to INS.

DYCD agreed with nine recommendations (one of which it has implemented and one of which it has partially implemented), partially agreed with recommendations #2 and #8, and disagreed with recommendations #9 and #10.

Update

DYCD reported that it has implemented 10 recommendations, including the following:

- DYCD has formalized the process for determining the citizenship status of program applicants. As of November 2002, DYCD has contacted 860 applicants. Of this total, 652 have become citizens. DYCD now sends a letter to applicants instead of a postcard to improve confidentiality. In addition, DYCD is working with its IT staff to enhance its computer system.
- DYCD issued a procedural memo to ensure that staff do not make additional contacts where contact has already been completed.

- DYCD's system has been enhanced to alert staff when completing applicants' employment history to update the Information and Retrieval screen with risk status information if applicants receive public benefits.
- DYCD issued a memo enforcing that supervisory review must be completed within 14 calendar days of the application completion by the application specialist.

DYCD continues to partially agree with recommendation #2 and disagrees with recommendation #9. DYCD, however is currently evaluating recommendation #10 to revise its CNYC's mission statement.

DEPARTMENT OF YOUTH AND COMMUNITY DEVELOPMENT (DYCD)

Audit on Small Procurement and Vouchering Practices

Audit # MG02-079A

Comptroller's Audit Library # 7357

Issued: May 29, 2002

Monetary Effect: None

Introduction

The New York City Department of Youth and Community Development (DYCD) supports a variety of youth activities including structured recreation, athletics, tutoring and remedial education, health care, substance-abuse prevention, and runaway and homeless programs, through contracts with a broad network of community-based organizations throughout the City. Through the Federal Community Action Program, DYCD also provides training, job placement services, adult literacy, and basic education for low-income residents.

During Fiscal Year 2001 DYCD's Executive Budget was \$14,943,511 for Personal Services and \$95,695,381 for Other Than Personal Services (OTPS). Of the OTPS amount, \$11,040,700 was spent on small procurements (437 purchase orders totaling \$961,231 and 947 small purchase contracts totaling \$10,079,469). DYCD also issued 28 miscellaneous vouchers totaling \$2,388,330.

Results

The audit objective was to determine whether DYCD's small procurement operation complies with PPB Rules and applicable Comptroller's Directives. DYCD generally complied with PPB Rules and Comptroller's Directives, in that purchase orders contained adequate specifications, there was no evidence of split purchases, purchase orders had the required signatures, and in most cases purchases were made through Requirements Contracts when available. There were, however, some instances of non-compliance: proof of receipt was not always obtained before issuing payment to vendors; purchase orders for four purchases were prepared after the invoices were received; in five cases, four rather than the required five bids were solicited; six files did not include a purchase requisition and two contained a requisition lacking the required signature; 21 invoices were not marked 'vouchered' as required; incorrect object codes were used for 15 purchases; and nine miscellaneous vouchers were issued inappropriately.

The audit recommended that DYCD take the following seven corrective actions:

- Obtain proof of service for delivery of goods before payments are made to vendors;
- Use purchase orders when appropriate to assure that funds are properly encumbered prior to purchase;
- Solicit the required five vendors for bids, as required, and document all bids;
- Use properly authorized purchase requisition forms for all procurements;
- Ensure that all invoices are marked 'vouchered,' to avoid duplicate payments;
- Use correct object codes;
- Use miscellaneous vouchers only when appropriate.

DYCD agreed with recommendations one through six, and did not indicate whether or not it agreed with recommendation seven. However, it appears that the circumstances that led to that recommendation involved a process that may not be applicable to DYCD in the future.

Update

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

SECTION II

NON-GOVERNMENT AUDITS

CLAIMS

During Fiscal year 2002, audit reports were issued on 16 claims totaling \$32,016,062 filed against the City. The audit accepted amount for these 16 claims totaled \$4,140,853. This resulted in a potential cost avoidance of \$27,875,209, as shown below:

Total Claim Amount	\$ 32,016,062
Less: Audited Accepted Amount	\$ 4,140,853
Potential Cost Avoidance	\$ 27,875,209*

*Note: As stated, these cost avoidance figures are only “potential.” They are based on results of audits, which 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 16 claims follows:

AUDIT NUMBER	CLAIMANT	DATE ISSUED	CLAIM AMOUNT	AUDIT ACCEPTED AMOUNT	DISPOSITION SETTLEMENT AMOUNT
FP01-174A	Claim – DBS	07/02/01	*	*	*
FP01-181A	Claim – Beginning with Children	07/27/01	*	*	*
FP00-167A	Claim – Peter Scalamandre & Sons, Inc.	08/27/01	*	*	*
FP01-185A	Claim – Constantine & Co., Inc.	09/10/01	*	*	*
FP02-120A	Claim – Peace and Toda Corp.	12/07/01	*	*	*
FP01-159A	Claim – Slattery Nab	01/07/02	*	*	*
FP02-121A	Claim – Wendy's International	01/17/02	*	*	*
FP00-164A	Claim – Fischbach & Moore, Inc.	02/04/02	*	*	*
FP02-146A	Claim – Saif I. Corp.	03/05/02	*	*	*
FP02-137A	Claim – A&E Stores, Inc., Simco Stores, Inc., d/b/a Strawberry's	03/14/02	*	*	*
FP02-096A	Claim – Computer Service Center	05/14/02	*	*	*
FP02-128A	Claim – Factory Mutual Insurance Co. a/s/o Vernado	05/16/02	*	*	*
FP02-181A	Claim – Clean Harbors Environmental Services	06/10/02	*	*	*
FP02-170A	Claim – Ferari Driving School	06/17/02	*	*	*
FP02-185A	Claim – Heinemann/First Steps CSD # 32	06/28/02	*	*	*
FP02-186A	Claim – Heinemann/First Steps CSD # 15	06/28/02	*	*	*
	FISCAL YEAR 2002 TOTALS		\$32,016,062	\$4,140,853	\$27,875,209

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 Department of Parks and Recreation (DPR), the Department of Information, Technology and Telecommunications (DoITT), and the Department of Citywide Administrative Services (DCAS). Our audits evaluate the payments made by entities, such as sports franchises and hotels. As shown below, fiscal year 2002 audits resulted in collecting actual revenues totaling \$8,853,884. Additional revenue can be collected if all audit recommendations are followed.

Audit Number	Audit Library No.	Agency/Title	Date Issued	Actual Revenue To Date	Remaining Potential Revenue
FL02-097A	7366	DCAS - East Broadway Mall	6/6/02	\$ 152,215	\$ 69,468
FN01-182A	7317	DoITT - Cablevision Systems NYC Corporation's Advertising Revenue	10/23/01	\$ 107,532	\$0
		DoITT - Time Warner Cable of New York City*	5/31/02	\$7,677,521*	\$0
FN02-107A	7410	Queens Inner City Cable Systems	6/28/02	\$ 5,524	\$0
FN02-108A	7411	Northern Manhattan Div.	6/28/02	\$ 2,446	\$0
FN02-153A	7412	Southern Manhattan Div.on	6/28/02	\$ 4,460	\$0
FM02-074A	7397	DPR - Dyckman Marina	6/24/02	\$ 66,469	\$0
FM02-076A	7403	DPR - Shellbank Restaurant	6/25/02	\$ 48,944	\$ 566,642
FM02-147A	7402	DPR - Staten Island Hockey, Inc.	6/25/02	\$0	\$0
FN02-082A	7333	DPR - Shea Stadium Parking Lot	6/28/02	\$ 28,813	\$0
FN02-098A	7401	DPR - Compliance of Toto's South Shore Country Club LTD With Their License Agreement	6/27/02	\$ 134,862	\$ 122,010
FN02-126A	7359	DPR - Compliance of the New York Yankees With Their Lease Agreement	5/30/02	\$ 367,321	\$0
FP01-163A	7321	DPR - Stringmaster, Inc. (Randall's Island Tennis Facility)	12/26/01	\$ 257,777	\$ 2,592
FR02-089A	7369	DPR - PBE Golf, Inc.	6/13/02	\$0	\$0
FR02-091A	7326	DPR - Leisure Management Corp.	2/20/02	\$0	\$0
FR02-092A	7393	American Golf Corp.	6/24/02	\$0	\$0
	TOTAL			<u>\$8,853,884</u>	<u>\$760,712</u>

*Time Warner paid the City \$7,677,521 on May 31, 2002 to cover franchise fees due from seven City Divisions.

DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES (DCAS)

Audit Report on the Compliance of East Broadway Mall, Inc., with its Lease Agreement and its Payment of Fees Owed the City

September 1, 1999, through August 31, 2001

Audit # FL02-097A

Comptroller's Audit Library # 7366

Issued: June 6, 2002

Monetary Effect: Actual Revenue: \$ 152,215

Potential Revenue: \$ 69,468

Introduction

This audit determined whether East Broadway Mall (EBM) maintained adequate internal controls over the recording and reporting of gross receipts; calculated and properly paid its rent on time; complied with other major requirements of its lease agreement (e.g., carried the required liability insurance, remitted the appropriate security deposit, and paid its utility charges). For the fiscal years ending August 31, 2000, and August 31, 2001, EBM reported \$2,390,175 and \$2,408,789, respectively, in gross operating revenue, and paid rent to the City totaling \$820,297 and \$992,339.

Results

EBM had adequate internal controls over the recording and reporting of revenue, and it generally complied with the terms of its agreement with regard to paying its base rent, carrying the appropriate insurance coverage, and remitting the required \$72,000 security deposit to the City. However, EBM did not accurately report its gross operating revenue and common area maintenance charges to the City, and did not pay all percentage rent due the City. Consequently, EBM owes the City \$120,965 in additional percentage rent and related interest. In addition, there was a problem with the water bills for EBM. Specifically, the City's Department of Transportation was mistakenly billed for the water and sewer charges for the mall. After the auditors mentioned this to Department of Environmental Protection (DEP) officials, they had the name on the account changed and billed EBM for \$100,718 in unpaid water and sewer charges for the period December 1, 1999, to December 31, 2001.

The report made four recommendations, including that EBM pay DCAS \$120,965 in additional rent and interest due, and pay DEP \$100,718 in outstanding water and sewer charges. The report also recommends that DCAS ensure that EBM complies with the report's recommendations.

EBM and DCAS officials agreed with the audit's findings and recommendations. DCAS officials stated that they will bill EBM for the additional percentage rent and related interest and will require that EBM provide proof that it paid \$100,718 to DEP for the outstanding water and sewer charges

Update

According to DEP records, EBM paid the city \$65,891 of the \$100,718 in outstanding water and sewer charges. In addition, DCAS collected \$86,324 in additional rent resulting from this audit. Therefore, to date actual revenue collected from this audit amounted to \$152,215.

DEPARTMENT OF INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS (DOITT)

Audit Report on Franchise Fees from Cablevision Systems New York City Corporation's Advertising Revenue;

January 1, 1998, to December 31, 2000 Audit # FN01-182A

Comptroller's Audit Library # 7317

Issued: October 23, 2001

Monetary Effect: Actual Revenue: \$107,532

Introduction

In 1984, Cablevision Systems New York City Corporation (Cablevision) began selling advertising time for its New York City-based cable companies in Brooklyn and the Bronx through its subsidiary, Rainbow Advertising Sales Corporation (RASCO). RASCO markets and sells local advertising for Cablevision on more than 30 cable networks.

Cablevision's franchise agreement requires that it pay the City 5 percent of its gross revenues, but allows it to deduct outside advertising agency commissions from its advertisement revenue and bad debts. The Department of Information Technology and Telecommunications (DOITT) is responsible for monitoring Cablevision's compliance with the terms of its franchise agreement.

This audit determined whether Cablevision calculated and reported accurately its gross advertising revenue to the City, paid the appropriate franchise fees to the City, and maintained adequate internal controls over recording and reporting of advertising revenues.

Results

For the audit period January 1, 1998, through December 31, 2000, Cablevision reported gross advertising revenues totaling \$27.2 million, and paid the City \$1.3 million in franchise fees. Cablevision generally adhered to the provisions of its franchise agreement regarding the reporting of advertising revenue. In addition, Cablevision had an adequate system of internal controls over its advertising revenue collection and its reporting functions.

However, Cablevision did not report \$1,651,457 in advertising revenue recorded on RASCO's books and records from January 1, 1998, to September 30, 1998, and \$110,955 representing the fair market value of trade (barter) revenue recorded on its books and records. Thus, Cablevision owed the City \$107,532 in additional franchise fees and calculated interest, which Cablevision paid after it received the preliminary draft report.

The audit recommended that Cablevision include all advertising revenue and trade revenue on its Quarterly Gross Revenue Statements to the City. In response, both Cablevision and DOITT responded that they agreed with the audit's findings and recommendations.

Update

DoITT reported that Cablevision has implemented the audit's recommendation.

**DEPARTMENT OF INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS
(DOITT)**

Audit Report on the Compliance of Time Warner Cable of New York City, Queens Inner Unity Cable System (QUICS), with its Franchise Agreement

Audit # FN02-107A

Comptroller's Audit Library # 7410

Issued: June 28, 2002

Monetary Effect: Actual Revenue: \$7,677,521 (for this audit as well as other audits covered Southern Manhattan and Northern Manhattan—plus other Time Warner Divisions not audited but covered by the settlement.)

Actual Revenue: \$ 5,524 (for franchise fees and interest owed)

Introduction

In 1998, the City's Department of Information Technology and Telecommunications (DOITT), and Time Warner Cable of New York City, Queens Inner Unity Cable System (QUICS) agreed to a renewed franchise agreement for 10 years. The agreement requires that Time Warner pay the City five percent of its gross revenue, less the mandatory payments made to the New York State Public Service Commission (NYSPSC); carry \$50 million in insurance that names the City as an additional insured; maintain a security fund deposit of \$1.23 million; and provide specified annual payments to the NYSPSC and the Community Access Organization (CAO).

The audit's objectives were to determine whether Time Warner maintained adequate internal controls over the recording and the reporting of its gross revenues; reported, accurately, its total gross revenue, and calculated and paid the appropriate franchise fees due, paying these franchise fees on time; and complied with the other major requirements of its franchise agreement.

Results

For the audit period, October 1, 1998, to December 31, 2000, Time Warner reported gross revenues totaling \$137.9 million, and paid the City franchise fees of \$6.7 million. Time Warner had an adequate system of internal controls over its revenue collection process. However, commencing February 1998, Time Warner separately identified the cost of franchise fees in its bills to subscribers, but improperly excluded the franchise fee portion totaling \$6,638,576 of the billed amount in its gross revenues reported to the City. Thus, Time Warner under-reported its gross revenue by \$6,733,670 for the period October 1, 1998, to December 31, 2000. Also, Time Warner did not report \$78,900 in revenue from Non-Sufficient Fund check charges—a fee charged to each customer for each check returned by the bank as uncollectible, and did not report \$16,194 on its gross revenue statements to the City relating to revenue received from subscriber trip charges—a fee charged to its subscribers to collect delinquent payments. This resulted in Time Warner's owing the City \$366,365 in additional franchise fees and calculated interest.

Time Warner complied with the remaining terms and conditions of its franchise agreement, i.e., it had proper insurance coverage and security deposit, and made the required contributions to the NYSPSC and to the CAO.

As a result of this audit and two other audits of Time Warner cable franchise agreements—Time Warner Northern Manhattan Division and Time Warner Southern Manhattan Division—Time Warner, through an agreement with the City, paid the City \$7,677,521 on May 31, 2002. This payment covered franchise fees that were excluded from gross revenue calculations to May 31, 2002, and owed under the seven Time Warner cable franchise agreements with the City. (Of the total amount paid, \$641,357 pertained to the QUICS Division.)

The audit recommended that Time Warner pay the City \$5,524 in franchise fees and interest owed under its franchise agreement for its QUICS Division for excluding Non-Sufficient Fund check charges and trip charges on its gross revenue statements, and include all reportable revenue on its gross revenue statements to the City.

Time Warner officials responded that “We disagree with your characterization of our not including the amount of franchise fees in our computation of gross revenues as an ‘underreporting’ and an ‘improper exclusion’. As you are aware, there was a difference of opinion between the City and Time Warner with regard to this fee on fee issue. It was Time Warner’s position that franchise fees should not be included as part of gross revenues while it was the City’s position that they should. Subsequently, . . . an Agreement settling this matter was reached, although it should be pointed out that neither party conceded their position.”

DOITT officials responded that “the financial issues brought forward during the audit have been addressed and are now correctly being reported as gross revenue [by Time Warner]. The appropriate franchise fees will be paid quarterly. Franchise fee payments will continue to be reviewed and monitored by this agency accordingly.”

Neither Time Warner nor DOITT responded to the audit’s findings pertaining to the exclusion of Non-Sufficient Fund check charges.

Update

DoITT reported that Time Warner has paid the amount due to the City.

**DEPARTMENT OF INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS
(DOITT)**

Audit Report on the Compliance of Time Warner Cable of New York City, Northern Manhattan Division, with its Franchise Agreement

Audit # FN02-108A

Comptroller's Audit Library # 7411

Issued: June 28, 2002

Monetary Effect: Actual Revenue: \$7,677,521 (for this audit as well as other audits covered—Southern Manhattan and QUICS)—plus other time Warner Divisions not audited but covered by the settlement.)

Actual Revenue: \$2,446 (for franchise fees and interest owed)

Introduction

In 1998, the City's Department of Information Technology and Telecommunications (DOITT), and Time Warner Cable of New York City, Northern Manhattan Division agreed to a renewed franchise agreement for 10 years. The agreement requires that Time Warner pay the City five percent of its gross revenue, less the mandatory payments made to the New York State Public Service Commission (NYSPSC); carry \$50 million in insurance that names the City as an additional insured; maintain a security fund deposit of \$2.3 million; and provide specified annual payments to the NYSPSC and the Community Access Organization (CAO).

The audit's objectives were to determine whether Time Warner maintained adequate internal controls over the recording and the reporting of its gross revenues; reported, accurately, its total gross revenue, and calculated and paid the appropriate franchise fees due, paying these franchise fees on time; and complied with the other major requirements of its franchise agreement.

Results

For the audit period January 1, 1999, through December 31, 2000, Time Warner reported gross revenues totaling \$210.3 million and paid the City \$10.2 million in franchise fees. Time Warner had an adequate system of internal controls over its revenue collection process. However, commencing February 1998, Time Warner separately identified the cost of franchise fees in its bills to subscribers, but improperly excluded the franchise fee portion of the billed amount in its gross revenues reported to the City. Thus, Time Warner under-reported its gross revenue by \$10,300,790 for the period January 1, 1999, to December 31, 2000. Also, Time Warner did not report \$52,889 in revenue from Non-Sufficient Fund check charges—a fee charged to each customer for each check returned by the bank as uncollectible—and \$38,617 relating to the value of free services that Time Warner provided to new employees and apartment managers. This resulted in Time Warner's owing the City \$551,684 in additional franchise fees and calculated interest.

Time Warner complied with the remaining terms and conditions of its franchise agreement, i.e., it had proper insurance coverage and security deposit, and made the required contributions to the NYSPSC and to the CAO.

As a result of this audit and two other audits of Time Warner cable franchise agreements—Time Warner Southern Manhattan Division and Time Warner QUICS—Time Warner, through an agreement with the City, paid the City \$7,677,521 on May 31, 2002. This payment covered franchise fees that were excluded from gross revenue calculations to May 31, 2002, and owed under the seven Time Warner cable franchise agreements with the City. (Of the total amount paid, \$1,121,617 pertained to the Northern Manhattan Division.)

The audit recommended that Time Warner pay the City \$2,446 in franchise fees and interest owed under its franchise agreement for its Northern Manhattan Division for excluding Non-Sufficient Fund check charges and the value of free services on its gross revenue statements, and include all reportable revenue on its gross revenue statements to the City.

Time Warner officials responded that “We disagree with your characterization of our not including the amount of franchise fees in our computation of gross revenues as an ‘underreporting’ and an ‘improper exclusion’. As you are aware, there was a difference of opinion between the City and Time Warner with regard to this fee on fee issue. It was Time Warner’s position that franchise fees should not be included as part of gross revenues while it was the City’s position that they should. Subsequently, . . . an Agreement settling this matter was reached, although it should be pointed out that neither party conceded their position.”

DOITT officials responded that “the financial issues brought forward during the audit have been addressed and are now correctly being reported as gross revenue [by Time Warner]. The appropriate franchise fees will be paid quarterly. Franchise fee payments will continue to be reviewed and monitored by this agency accordingly.”

Neither Time Warner nor DOITT responded to the audit’s findings pertaining to the exclusion of Non-Sufficient Fund check charges.

Update

DoITT reported that Time Warner paid the amounts due to the City.

DEPARTMENT OF INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS (DOITT)

Audit Report on the Compliance of Time Warner Cable of New York City,
Southern Manhattan Division, with its Franchise Agreement

Audit # FN02-153A

Comptroller's Audit Library # 7412

Issued: June 28, 2002

Monetary Effect: Actual Revenue: \$7,677,521 (for this audit as well as other audits covered—

Manhattan North and QUICS—plus other Time Warner Divisions not audited but covered by the settlement.)

Actual Revenue: \$4,460 (for franchise fees and interest owed)

Introduction

In 1998, the City's Department of Information Technology and Telecommunications (DOITT) and Time Warner Cable of New York City, Southern Manhattan Division, agreed to a renewed franchise agreement for 10 years. The agreement requires that Time Warner pay the City five percent of its gross revenue, less the mandatory payments made to the New York State Public Service Commission (NYSPSC); carry \$50 million in insurance that names the City as an additional insured; maintain a security fund deposit of \$3.5 million; and provide specified annual payments to the NYSPSC and the Community Access Organization (CAO).

The audit's objectives were to determine whether Time Warner maintained adequate internal controls over the recording and the reporting of its gross revenues; reported, accurately, its total gross revenue, and calculated and paid the appropriate franchise fees due, paying these franchise fees on time; and complied with the other major requirements of its franchise agreement.

Results

For the audit period October 1, 1998, through December 31, 2001, Time Warner reported gross revenues totaling \$628 million and paid the City \$39.3 million in franchise fees. Time Warner had an adequate system of internal controls over its revenue collection process. However, commencing February 1998, Time Warner separately identified the cost of franchise fees in its bills to subscribers, but improperly excluded the franchise fee portion of the billed amount in its gross revenues reported to the City. Thus, Time Warner under-reported its gross revenue by \$26,894,861 for the period October 1, 1998, to December 31, 2000. Also, Time Warner did not report \$75,046 in revenue from Non-Sufficient Fund check charges—a fee charged to each customer for each check returned by the bank as uncollectible. This resulted in Time Warner's owing the City \$1,493,954 in additional franchise fees and calculated interest.

Time Warner complied with the remaining terms and conditions of its franchise agreement, i.e., it had proper insurance coverage and security deposit, and made the required contributions to the New York State Public Service Commission and to the Community Access Organization.

As a result of this audit and two other audits of Time Warner cable franchise agreements—Time Warner Northern Manhattan Division and Time Warner QUICS—Time Warner, through an agreement with the City, paid the City \$7,677,521 on May 31, 2002. This payment covered franchise fees that were excluded from gross revenue calculations to May 31, 2002, and owed under the seven Time Warner cable franchise agreements with the City. (Of the total amount paid, \$1,776,532 pertained to the Southern Manhattan Division.)

The audit recommended that Time Warner pay the City \$4,460 in franchise fees and interest owed under its franchise agreement for its Southern Manhattan Division for excluding Non-Sufficient Fund check charges on its gross revenue statements, and include all reportable revenue on its gross revenue statements to the City.

Time Warner officials responded that “We disagree with your characterization of our not including the amount of franchise fees in our computation of gross revenues as an ‘underreporting’ and an ‘improper exclusion’. As you are aware, there was a difference of opinion between the City and Time Warner with regard to this fee on fee issue. It was Time Warner’s position that franchise fees should not be included as part of gross revenues while it was the City’s position that they should. Subsequently, . . . an Agreement settling this matter was reached, although it should be pointed out that neither party conceded their position.”

DOITT officials responded that “the financial issues brought forward during the audit have been addressed and are now correctly being reported as gross revenue [by Time Warner]. The appropriate franchise fees will be paid quarterly. Franchise fee payments will continue to be reviewed and monitored by this agency accordingly.”

Neither Time Warner nor DOITT responded to the audit’s findings pertaining to the exclusion of Non-Sufficient Fund check charges.

Update

DoITT reported that Time Warner paid the amounts due to the City.

DEPARTMENT OF PARKS AND RECREATION (DPR)

Audit Report on the Compliance of Dyckman Marine Group, Inc., With Its License Agreement and Its Payment of License Fees Due the City

January 1, 2001, through December 31, 2001

Audit # FM02-074A

Comptroller's Audit Library # 7397

Issued: June 24, 2002

Monetary Effect: Actual Revenue: \$66,469

Introduction

On December 23, 1998, the City of New York entered into a 15-year license agreement, through the Department of Parks and Recreation (Parks), with Dyckman Marine Group, Inc. (Dyckman), to operate, maintain, and manage the Dyckman Marina on the Hudson River at the western end of Dyckman Street in Manhattan. Dyckman is responsible for the rental of moorings and slips, and the operation of the Tubby Hook Café, a restaurant at the marina.

Under the agreement, Dyckman is required to pay the City the greater of a minimum annual fee that escalates each year from \$18,000 in year-one to \$35,639 for the final year of the agreement, or 10 percent of its gross receipts. For the period, January 1, 2001, through December 31, 2001, Dyckman reported gross receipts totaling \$283,512 and paid \$28,351 in license fees to the City.

The audit determined whether Dyckman maintained adequate internal controls over the recording and reporting of gross receipts; reported its total gross receipts properly, and calculated and paid all required license fees to Parks on time; and complied with certain non-revenue-related requirements of its license agreement.

Results

The audit found that Dyckman charged slip and mooring rental fees in accordance with Parks's approved rates, paid license fees on time, paid the design review fee, remitted the required security deposit to the City, and maintained workers' compensation and general liability insurance. As part of the improvements completed, Dyckman installed new fencing around the marina, built a restaurant that contains restrooms, and removed debris from the property, as required by the agreement.

However, Dyckman did not have adequate internal controls over its gross receipts. In addition, Dyckman did not report to Parks an estimated \$599,114—68 percent of its gross receipts. Consequently, Dyckman owes the City additional licensing fees totaling \$59,911. In addition, Dyckman has unpaid water bills totaling \$6,558 as of April 8, 2002. Dyckman also violated New York State liquor laws by not purchasing alcohol from authorized wholesale distributors and by not maintaining records of business transactions related to purchases and sales of alcoholic beverages.

In addition, our physical inspection of the marina found that sections of the marina's bulkhead, decking, and retaining walls were in an advanced state of deterioration. Finally, Dyckman did not obtain a permit for moving silt from the marina—a serious violation of environmental regulations. This report recommended that Dyckman pay the City \$59,911 in additional license fees and \$6,558 for outstanding water charges.

Given the audit findings in the report, the audit recommended that Parks consider terminating its agreement with Dyckman. If Parks decides not to terminate its agreement with Dyckman, Parks should require that Dyckman pay the City \$59,911 in additional license fees and \$6,558 for water charges; immediately install a point-of-sale system; maintain records of all boat space rentals and services (e.g., boat agreements, invoices); use pre-numbered contracts to document boat space rentals; report all gross revenue to the City including the fair market value of docking fees from all barter agreements; obtain written approval from Parks for all sublicense agreements; comply with the New York State liquor law by purchasing alcohol only from authorized wholesale distributors and by maintaining adequate records of liquor purchases and sales; immediately repair the floating docks and walkways; and, obtain the required permits for silt relocation. Also Parks should periodically audit Dyckman and inspect its facilities to ensure that it is adhering to the terms of the agreement.

Parks officials agreed with the audit's findings and recommendations. Dyckman took exception to some of the findings, but agreed to implement the audit's recommendations.

Update

Parks reported that it decided not to terminate its agreement with Dyckman and issued a Notice To Cure on June 10, 2002. Dyckman reported that it has implemented the audit's recommendations.

DEPARTMENT OF PARKS AND RECREATION (DPR)

Audit Report on the Compliance of Shellbank Restaurant Corp. with Certain Provisions of Its License Agreement and on License Fees It Owes the City November 1, 1997, through October 25, 2000

Audit # FM02-076A

Comptroller's Audit Library # 7403

Issued: June 25, 2002

Monetary Effect:	Actual Revenue:	\$48,944
	Potential Revenue:	\$566,642 (\$35,006 for underreported revenue based on audit; \$16,142 for unpaid water and sewer charges; \$489,000 for commercial rent tax; and \$26,494 for additional fees assessed by Parks for the operating year ending October 31, 2001, based on audit)

Introduction

This audit determined whether Shellbank Restaurant Corp.: properly reported its total gross receipts, accurately calculated license fees due the City, paid these fees on a timely basis; and complied with certain other non-revenue-related terms of the license agreement.

On December 23, 1994, the City, through the Department of Parks and Recreation (Parks) entered into a 20-year license agreement with Shellbank Restaurant Corp. (Shellbank) to operate and maintain a restaurant (American Park Restaurant), snack bar, and public bathrooms at Battery Park, in Manhattan. (Shellbank is a subsidiary of TAM Restaurants, Inc., a former Parks concessionaire that operated the Loeb Boathouse restaurant in Central Park from February 1985 to September 2000.) Shellbank was required to pay the City \$50,000 or six percent of the gross receipts derived from its operation of the restaurant facility and snack bar for its first year of operation. The percentage of gross receipts increased to seven percent in the second year of operation and to eight percent for the third through the twentieth year. Shellbank reported \$11,780,914 in revenue and paid license fees totaling \$864,319 for the audit period—November 1, 1997, through October 25, 2000.

Results

For the audit period, Shellbank underreported gross receipts by \$712,349 and owes the City \$83,950 in additional license fees and late charges. In addition, Shellbank owes the City \$16,142 for water and sewer use. Moreover, Shellbank never paid commercial rent tax, and TAM, its parent company, did not pay this tax on its operation of the Loeb Boathouse restaurant since May 31, 1995. Consequently, TAM owes the City approximately \$489,000 (\$57,000 for Shellbank and \$432,000 for the Loeb Boathouse) for commercial rent tax, interest, and penalties. Also, Shellbank underpaid its New York State sales taxes, did not pay its staff in accordance with New York State minimum wage law, and did not submit its income and expenses statements to Parks on time. Shellbank also violated its license agreement because it did not maintain adequate records to support reported revenue.

The audit report contained nine recommendations, including that Shellbank pay the City \$83,950 in additional license fees and late charges owed; report all revenues generated at the facility to Parks, and pay all outstanding water and sewer charges and commercial rent tax due. In addition, the report recommended that Parks ensure that Shellbank complies with the report's recommendations.

Parks agreed with the audit's findings and issued a Notice to Cure requiring that Shellbank pay the audit amount and implement the report's recommendations. Shellbank did not agree with most of the audit's findings.

Update

DPR reported that based on the information provided in the audit, it has assessed Shellbank an additional \$26,494 for a total assessment of \$110,444. On August 7, 2002, DPR issued a Notice of Termination requiring Shellbank to pay \$48,943.64 in past due fees by September 7, 2002, or cease operations. On September 6, 2002, DPR received \$48,943.64 to settle the past due fees. DPR also reported that Shellbank has been attempting to secure a Small Business loan through the State with the assistance of the Economic Development Corporation in order to settle its outstanding balances. However, on December 6, 2002, DPR issued a Notice of Termination and the case has been referred to its Legal Division.

DEPARTMENT OF PARKS AND RECREATION (DPR)

Audit Report on the Compliance of Staten Island Hockey, Inc., With Its License Agreement

May 1, 2001, through April 30, 2002

Audit # FM02-147A

Comptroller's Audit Library # 7402

Issued: June 24, 2002

Monetary Effect: None

Introduction

On April 26, 1999, the Department of Parks and Recreation (Parks) entered into an eight-year license agreement with Staten Island Hockey, Inc., to renovate, operate, and maintain an outdoor recreation facility at Schmidts Lane and Manor Road, in Staten Island. Staten Island Hockey is required to pay the City the greater of either: a minimum annual fee of \$85,000 for the first and second years of the license, or 15 percent of gross receipts; a minimum annual fee of \$100,000 for the third and fourth years, or 16 percent of gross receipts; a minimum annual fee of \$110,000 for the fifth and sixth years, or 17 percent of gross receipts; and a minimum annual fee of \$120,000 for the seventh and eighth year, or 15 percent of gross receipts. For its second operating year, May 1, 2001, to April 30, 2002, Staten Island Hockey reported gross receipts of \$191,000 and paid the City the minimum annual fee of \$85,000.

In addition, Staten Island Hockey was required to expend a minimum of \$438,119 on specified capital improvements.

The audit determined whether Staten Island Hockey properly reported its total gross receipts, accurately calculated license fees due the City, and paid these fees on a timely basis; and complied with certain other provisions and requirements of its license agreement.

Results

The audit found that Staten Island Hockey paid its minimum license fees and its design review fee, remitted the required security deposit to the City, and paid its utility bills in accordance with its license agreement. As part of the improvements completed, Staten Island Hockey built a regulation-size hockey rink, constructed a rain shelter over the rink, upgraded the batting cages and miniature golf course area, and renovated the concession stand.

However, Staten Island Hockey breached the license agreement because it did not keep complete and accurate records to support reported revenue, did not use a point of sale cash register system, and did not deposit cash receipts in a timely manner. Also, Staten Island Hockey co-mingled funds with the Staten Island Hockey President's other business.

Based on the audit's review of available records, observations, and records obtained from vendors, the audit conservatively calculated that Staten Island Hockey should have reported gross receipts of at least \$424,754—55 percent more than was actually reported. The audit could not determine whether Staten Island Hockey would have exceeded the minimum that required it to pay percentage-based fees to the City, since it failed to maintain the required documentation and had no records indicating the amounts collected.

Moreover, Staten Island Hockey, despite receiving a "Certificate of Completion" for its required capital improvements from Parks, did not construct a two-lane go-cart track or pave the hockey parking lot, as specified in the license agreement. Also, Staten Island Hockey did not maintain the proper amounts of insurance required by the license agreement.

This report recommended that Parks terminate its agreement with Staten Island Hockey because Staten Island Hockey seriously breached its license agreement. The report contained additional recommendations to Parks to correct Staten Island Hockey's operating deficiencies in the event Parks decided not to terminate the license agreement.

Staten Island Hockey officials agreed with the audit's findings, but disagreed with the auditors' estimates of underreported receipts. Parks officials agreed with the audit's findings and recommendations and sent written notice to Staten Island Hockey instructing it to comply with the report's recommendations.

Update

Parks reported that Staten Island Hockey is now covered by the required insurance. Parks will conduct a follow-up to ensure that the remaining five recommendations are implemented.

DEPARTMENT OF PARKS AND RECREATION (DPR)

Audit Report on the Compliance of Central Parking System of New York City with its License Agreement for the Shea Stadium Parking Facilities and its Payment of License Fees Due the City

March 22, 1998, to March 31, 2001

Audit # FN02-082A

Comptroller's Audit Library # 7333

Issued: March 15, 2002

Monetary Effect: Actual Revenue: \$28,813

Introduction

In March 1998, the City Department of Parks and Recreation (DPR) entered into a four-year license agreement with Central Parking System of New York (Central Parking) for the maintenance and operation of the primary parking lots, supplementary parking areas, and parking fields at Shea Stadium, Queens. The agreement, ending March 31, 2002, requires that Central Parking pay the City either a minimum annual fee of \$1,650,000, 74.2 percent of the annual gross receipts between \$2,223,720 and \$2,500,000, or 85 percent of the annual gross receipts over \$2,500,000. The agreement also requires that Central Parking post a \$412,500 security deposit with the City, maintain certain amounts and types of insurance coverage, and expend a minimum of \$102,500 for capital improvements.

This audit determined whether Central Parking maintained adequate internal controls over the recording and reporting of gross revenue; accurately reported its total gross revenues, and calculated and paid the appropriate fees due to the City; and complied with certain non-revenue requirements of the agreement. For the three-year audit period ending March 31, 2001, Central Parking reported \$10.1 million in gross receipts, paying the City \$7.7 million in fees.

Results

Central Parking had adequate internal controls to ensure that its revenues were properly recorded and that its corresponding license fees were generally paid in compliance with the terms of the license agreement. Central Parking adhered to certain non-revenue-related requirements of its license agreement: it had the required insurance policies that named the City as an additional insured; it remitted the required \$412,500 security deposit in a letter of credit that named the City as the beneficiary; and it completed the required capital improvements.

However, Central Parking made some minor errors in calculating, reporting, and paying its fees due the City that resulted in Central Parking's owing the City \$32,609: \$20,293 in additional fees and \$12,316 in late charges. Central Parking also had not been billed for its water and sewer use for the parking lot. Finally, Central Parking did not adequately track ticket numbers for unsold parking receipts, and did not have completed Cashier Reports to verify whether the number of tickets issued and sold matched the number of cars that entered through the lane counters.

Central Parking paid \$20,293 for the additional license fees owed to the City and \$2,362 to cover all water and sewer charges. The report made two recommendations to Central Parking: that it pay the City \$12,316 in late charges due, and that it strengthen its internal controls by ensuring that lane attendants complete the Cashier Reports in full and by maintaining a central tracking system to account for all unused tickets. The report's one recommendation to DPR was that it ensure that Central Parking pays the late charges owed and that it implement the report's internal control recommendations.

Central Parking responded that it agreed to implement the internal control recommendations, but requested that the \$12,316 in late charges be waived. DPR responded that it issued a Notice to Cure to Central Parking, and acknowledged that Central Parking paid the City what it owed, except for the \$12,316 in late charges.

Update

Central Parking reported that it has implemented both audit recommendations. DPR reduced the late charges 50 percent (\$6,158) which Central Parking paid on April 3, 2002. Central Parking has also strengthened its internal controls by maintaining a central logbook that records lane information for each game and is reviewed by Operations Management. Operations Management also reconciles the logbook with the Cashier Reports.

DEPARTMENT OF PARKS AND RECREATION (PARKS)

Audit Report on the Compliance of Toto's South Shore Country Club, Ltd., With Its License Agreement and Its Payment of License Fees Due the City

Audit # FN02-098A

Comptroller's Audit Library # 7401

Issued: June 27, 2002

Monetary Effect: Actual Revenue: \$134,862

Potential Revenue: \$122,010

Introduction

In 1989, the Department of Parks and Recreation (Parks) entered into a 10-year license agreement with Toto's South Shore Country Club, Limited (Toto's), for the maintenance and operation of a restaurant, catering facility, and snack bar on the South Shore Golf Course, Staten Island. The license was renewed for a five-year period ending September 30, 2004. The agreement requires that Toto's pay the City a minimum annual fee ranging from \$48,000 in the first year to \$138,064 in the 15th and final year, and an annual percentage fee of 6 percent of its annual gross receipts over \$800,000, 7 percent of its annual gross receipts over \$1,500,000, eight percent of its annual gross receipts over \$2,000,000, and 8.5 percent of its annual gross receipts over \$3,000,000. In addition, the agreement requires that Toto's post a \$25,000 security deposit with the City; maintain certain types and amounts of insurance coverage that names the City as an additional insured; and pay for its utilities use.

This audit determined whether Toto's maintained adequate internal controls over the recording and reporting of its gross receipts; properly reported its total gross receipts, and correctly calculated and paid its license fees due the City; and complied with certain non-revenue-related requirements of its license agreement. For the year ending September 30, 2000, Toto's reported \$3,225,343 in gross receipts and paid the City \$270,454 in fees.

Results

Based on observations conducted at the facility and the available records, the audit determined that Toto's did not include an estimated \$1,829,320 in revenues on its gross receipts statements to Parks and owes the City \$256,872 in additional fees and late charges. There were also serious internal control weaknesses that prevented the auditors from verifying to what extent Toto's reported all of its gross receipts to Parks and paid the appropriate fees to the City. Toto's failed to provide: banquet calendars from October 1, 1999, through August 18, 2000; 42 banquet contracts covering the six-month period reviewed; or any of its original source documentation to support reported snack bar revenue. Moreover, Toto's did not properly segregate duties over its accounting functions. Toto's had the required general liability insurance, workers' compensation insurance, and remitted the required security deposit to Parks.

The audit made two recommendations to Toto's, including that it pay \$256,872 in additional license fees and late charges to the City and that it improve its internal controls over its revenue collection and recording process. In addition, the report recommended that Parks audit and inspect Toto's periodically and consider terminating its agreement with the City if it is found that Toto's has not implemented the report's recommendations.

Toto's responded that it will pay the audit assessment fees and that it will implement the internal control recommendations. Parks responded that it issued a Notice to Cure requiring that Toto's pay the audit assessment of \$256,872 under a three-month payment plan and take immediate action to implement the audit's internal control recommendations. Parks also stated that it will conduct a follow-up review in two months to verify that Toto's has implemented the audit's recommendations.

Update

DPR reported that Toto's requested a lengthier payment plan to pay the audit assessment. Consequently, On July 8, 2002 DPR amended the payment schedule to an 11-month payment plan. Toto's reported that all payments are up-to-date and will continue to make payments according to the schedule. In addition, Toto's reported that it has corrected the weaknesses noted in the audit report. DPR will conduct a follow-up audit to ensure that the recommendations are implemented.

DEPARTMENT OF PARKS AND RECREATION (DPR)

Audit Report on the Compliance of the New York Yankees with Their Lease Agreement
And Lease Fees They Owe the City July 1, 1997, to December 31, 2000

Audit # FN02-126A

Comptroller's Audit Library # 7359

Issued: May 30, 2002

Monetary Effect: Actual Revenue: \$367,321

Introduction

In 1972, the New York Yankees, Inc., and the City's Department of Parks and Recreation (Parks) entered into a 30-year lease agreement for the rental and use of Yankee Stadium. In March 1973, the New York Yankees, Inc., assigned its interest in the lease to the New York Yankees Partnership (Yankees). The lease agreement, monitored by Parks, expires on December 31, 2002, and includes two five-year renewal options. The lease allows the Yankees exclusive use of Yankee Stadium during the baseball season and permits the Yankees to sell tickets, to provide food and souvenir concessions, to provide parking for season ticket holders, and to provide cable television broadcasts. The agreement requires that the Yankees pay the City the greater of either an annual minimum rent of \$200,000 or a percentage of revenues from gross admission, concessions, wait service, pre-paid parking, and a portion of cable television receipts. The agreement allows the Yankees to deduct payments made to Major League Baseball and all sales taxes before calculating rent payments to the City. For the audit period, January 1, 1997, to December 31, 2000, the Yankees reported gross revenues totaling \$416.7 million and paid the City \$18.8 million.

This audit determined whether the Yankees accurately reported gross receipts in accordance with the lease agreement; paid the appropriate fees due the City on time; maintained adequate internal controls over the recording and reporting of gross receipts; and complied with certain other lease requirements (i.e., maintained the required insurance, and reimbursed the City for its utility use).

Results

The Yankees generally adhered to the lease provisions and had an adequate system of internal controls over revenue collection and reporting functions. In addition, the Yankees satisfied the prior audit assessment of \$189,879. For the audit period, January 1, 1997, to December 31, 2000, the Yankees reported gross revenues totaling \$416.7 million and paid the City \$18.8 million in rental fees. The Yankees, however, underreported revenue by \$1,394,110, and overstated the credits that they were entitled to take against revenue by \$2,502,968. Consequently, the Yankees owed the City \$367,321 in additional fees.

In addition, this audit concluded that the Yankees adhered to certain non-revenue-related requirements of its lease. The Yankees had the required liability insurance that named the City as an additional insured party, the Yankees reimbursed Parks for electricity and for water and sewer use during the baseball season, and the Yankees are complying with the requirements of the Americans with Disabilities Act.

The report recommended that the Yankees pay the City \$367,321 for fees due; include all rain-check revenue on future gross rent revenue statements to Parks; deduct only the actual payments made to Major League Baseball for revenue-sharing; and maintain documentation to substantiate all credits taken from reportable gross receipts. The audit also recommended that Parks ensure that the Yankees comply with the audit's recommendations.

The Yankees agreed with the audit's recommendations and stated that they will submit a check to Parks for \$367,321. Parks responded that it agreed with the audit's recommendations and had issued a Notice To Cure to the Yankees requesting payment of \$367,321 and instructing them to implement the audit's recommendations regarding the proper recording and reporting of revenue.

Update

DPR reported that the Yankees paid the \$367,321 on May 17, 2002.

DEPARTMENT OF PARKS AND RECREATION (DPR)

Audit Report on the License Fees Due from Stringmaster, Inc., and Compliance with Its License Agreement

Audit # FP01-163A

Comptroller's Audit Library # 7321

Issued: December 26, 2001

Monetary Effect: Actual Revenue: \$257,777

Potential Revenue: \$ 2,592

Introduction

This audit determined whether Stringmaster, Inc., (Stringmaster) maintained adequate internal controls over the recording and reporting of its gross operating revenues; properly reported its total gross revenues and correctly calculated and paid its license fees due to the City; and complied with certain non-revenue-related requirements of its license agreement.

In 1999, the Department of Parks and Recreation (Parks) awarded Stringmaster a five-year license to operate and manage an indoor tennis facility at Randall's Island. Stringmaster is required to pay the City a minimum annual fee of \$65,000 that escalates to \$70,000 in the fifth and final year of the license. Stringmaster is also required to make capital improvements to the facility and to pay a Design Review Fee to DPR; carry specific types and amounts of insurance; maintain a security deposit with the City; and pay all required utility charges.

Results

For the period May 1, 1998, through April 30, 2001, Stringmaster paid the City \$197,000 in license fees. However, Stringmaster had significant internal control weaknesses that prevented the verification of its operating income and reported gross receipts. Specifically, Stringmaster did not prenumber contracts for seasonal court time; did not maintain records to track payments and amounts owed by seasonal customers; did not issue prenumbered receipts to individuals who paid for hourly court time and tennis lessons; did not make daily bank deposits; did not use a cash register to record pro shop sales; and did not provide adequate records to support the reported amounts to Parks for pro shop sales. Moreover, Stringmaster did not have a separate water or electric meter for the premises, and consequently, from the inception of the license agreement, did not pay for its water and sewer or electric use.

Moreover, the audit found that the City did not receive credit for \$240,281 (including \$16,750 received from Stringmaster), that was deposited by Parks in the City's Treasury account. After the auditors brought this matter to the attention of Parks officials, they requested replacement checks from the licensees whose checks were included in the original deposit. To date, according to Parks, all but \$1,200 in replacement checks have been received and redeposited in the City's account.

Stringmaster made the required capital improvements and paid the design review fee to DPR, maintained the required security deposit with the City, and maintained the required types and amounts of insurance policies that named the City as an additional insured.

The report made seven recommendations to Stringmaster, including that it: use prenumbered contracts to document seasonal court use; maintain detailed records that show payments made and outstanding amounts owed by seasonal customers; issue prenumbered receipts to paying customers for court time and lessons; deposit all cash received from customers daily; use a cash register to record pro shop sales; and maintain journal tapes to support amounts reported. The audit also recommended that Parks ensure that Stringmaster complies with the recommendations.

Except for the recommendations to install separate water and electric meters and to pay for past water use, Stringmaster and Parks generally agreed with the audit's findings and recommendations. Parks responded that since the facility is shared with Parks, separate water metering is not possible, and that Con Edison does not allow for sub-metering. Parks issued a Notice To Cure to Stringmaster requiring that it comply with the audit's recommendations. The Notice To Cure also included a contract modification to exclude water and sewer charges. Finally, the Notice to Cure required Stringmaster to pay \$16,119.00 for estimated past-due heating and electric charges and to pay \$810 per month during each of the remaining Indoor Tennis Seasons for its heating and electricity use.

Update

DPR reported that six recommendations have been implemented, one is in the process of being implemented, and one is unable to be implemented, as follows:

- Stringmaster now issues pre-numbered receipts to document sales to customers who pay for court time and lessons.
- Stringmaster uses pre-numbered applications instead of contracts to customers in order to document reasonable court use.
- Stringmaster uses a subsidiary journal to record sales from reasonable customers and monitor payments owed by each customer.
- DPR issued a Notice to Cure to Stringmaster on December 14, 2001 to ensure that the audit recommendations are implemented.
- Stringmaster disputed the \$16,119 for estimated past-due heating and electric charges and the monthly charge of \$810 a month. As a result, DPR decided to reduce the past charges and the charge for current usage to \$648 a month. In total, Stringmaster has paid \$17,496 for past and current charges, and will pay an additional \$2,592 for the remainder of the lease agreement.
- DPR has received and deposited the remaining \$1,200 in replacement checks.

DPR also reported that Stringmaster will reconcile daily receipts with the bank statements. However, Stringmaster cannot arrange for the installation of separate electric and water meters because since Stringmaster shares a public facility with DPR, Con Edison would not allow a sub-meter installation.

DEPARTMENT OF PARKS AND RECREATION (PARKS)

Audit Report on the Compliance of PBE Golf, Inc., With its License Agreement and the Payment of License Fees Due City

Audit # FR02-089A

Comptroller's Audit Library # 7369

Issued: June 13, 2002

Monetary Effect: None

Introduction

On November 17, 2000, the Department of Parks and Recreation (Parks) entered into a 15-year licensing agreement with PBE Golf, Inc. (PBE) to operate, maintain, and manage Turtle Bay Cove, an outdoor recreational facility at Pelham Bay Park in the Bronx. Turtle Bay Cove has a driving range, a batting cage, a miniature golf course, and a food concession.

The agreement requires that PBE pay the City a minimum annual fee ranging from \$90,000 in the first year to \$100,000 in the fifteenth year, or a percentage of PBE's gross receipts received from operating the facility, whichever is greater. PBE must also pay 10 percent of the revenue earned from the food concession and from miscellaneous sales.

The audit objectives were to determine whether PBE maintained adequate internal controls over the recording and the reporting of its gross revenues; properly calculated its total gross revenues and fees due to the City, and paid these fees on time; and complied with the other major requirements of its license agreement (e.g., paid its utility charges and maintained proper insurance coverage). The audit covered the period May 1, 2000, through April 30, 2001.

Results

For the audit period, PBE reported gross receipts amounting to \$353,499 and paid \$90,000 (the minimum) to the City in license fees. During this period, PBE maintained the required security deposit, had the required insurance coverage (i.e., general liability, workers' compensation, and property insurance) and paid its utility bills on time. As of November 8, 2001, PBE had expended \$351,463 (of the required \$629,400) on capital improvements, in substantial conformance with the approved schedule.

However, PBE did not report its gross receipts in conformance with its license agreement, because it did not include the receipts of an unauthorized sublicensee on its gross receipts statements; and its receipts from vending machines lacked documentation.

The report made six recommendations, that PBE should: negotiate and obtain Parks's approval for a sublicense agreement with the golf academy that provides lessons at the facility; obtain proper approval from Parks before entering into any sublicense agreements; report the revenue earned by any sublicensee in the gross receipts reported to Parks; and maintain records of the receipts received from vending machines. The report also recommended that Parks should ensure that PBE complies with the report's recommendations and should ensure that the golf academy operates under approved sublicense agreements at the City's other golf facilities.

PBE's response did not specifically address the report's recommendations, but stated that PBE would resolve concerns outlined in the report. In its response, Parks agreed with all of the report's recommendations and stated it had issued a Notice to Cure directing PBE to implement the recommendations.

Update

Parks reported that the audit recommendations have been implemented.

DEPARTMENT OF PARKS AND RECREATION (DPR)

Audit Report on the Compliance of Leisure Management Corporation With Its License Agreement and its Payment of License Fees Due the City

Audit # FR02-091A

Comptroller's Audit Library # 7326

Issued: February 20, 2002

Monetary Effect: None

Introduction

On May 22, 1991, the Department of Parks and Recreation (Parks) granted the Leisure Management Corporation (Leisure) a three-year license to operate, maintain, and manage the Douglaston Golf Course in Queens, New York. Parks extended the agreement for two five-year periods, making the license's expiration date December 31, 2003.

Leisure is required to pay the City either a minimum annual fee or 12.5 percent of gross receipts from green fees, cart and club rentals, plus 5 percent of pro-shop sales, whichever is greater. The minimum fees for the initial three-year period were \$155,000 per year, increased to \$180,000 for each year in the first five-year extension period (1994-1998) and to \$220,000 for each year in the second five-year extension period (1999-2003). For the period of January 1, 1997, through June 30, 2001—the audit period—Leisure reported total gross revenues of \$7,729,077 and paid license fees totaling \$986,134 to the City.

The audit objectives were to determine whether Leisure maintained adequate internal controls over the recording and the reporting of its gross revenues; properly calculated its total gross revenues and fees due to the City, and paid these fees on time; and complied with the other major requirements of its license agreement (e.g., paid its utility charges and maintained proper insurance coverage).

Results

Leisure maintained adequate control over the recording and reporting of its gross revenues, properly calculated fees due, and paid those fees in a timely manner to the City. In addition, Leisure maintained the required insurance coverage (i.e., worker's compensation, liability, builders, and property); paid the facility's utility bills on time; and deposited the required security deposit with the City. Furthermore, Leisure spent \$609,326 on capital improvements, \$49,326 more than required by the license; however, it never received a "Certificate of Completion" from Parks showing that Parks approved of the improvements and deemed them complete.

The report made one recommendation, namely that Leisure request a Certificate of Completion from Parks verifying that it had complied with its capital improvement obligation under the license agreement.

Although Leisure's officials did not respond to the draft report they did request that Parks provide Leisure with a Certificate of Completion. In its response, Parks provided a letter stating that Parks considered Leisure to be in compliance with the capital improvement requirements of the license agreement.

Update

Parks reported that this recommendation has been implemented.

DEPARTMENT OF PARKS AND RECREATION (DPR)

Audit Report on the Compliance of American Golf Corporation With Its License Agreement for the Silver Lake Golf Course

Audit # FR02-092A

Comptroller's Audit Library # 7393

Issued: June 24, 2002

Monetary Effect: None

Introduction

In 1987, the Department of Parks and Recreation (Parks) entered into a ten-year license agreement with the American Golf Corporation (American Golf) for the maintenance and operation of the Silver Lake Golf Course, in Staten Island. The license was renewed for two five-year periods; the first renewal expired on February 28, 2002, and the second renewal will expire on February 28, 2007.

American Golf is required to pay the City the greater of the minimum annual fee of \$125,000, or 15 percent of revenue from greens fees and cart rentals, ten percent of food and beverage sales, five percent of Pro Shop sales, and 15 percent of miscellaneous income, which includes revenue from tournaments and promotional events. In addition, American Golf was required to perform \$425,000 in specified capital improvements at the facility; remit a security deposit of \$31,250 to the City; maintain proper types and levels of insurance coverage that names the City as an additional insured; and pay for its utilities.

This audit covered the period, January 1, 1997, through June 30, 2001. The audit determined whether American Golf maintained adequate internal controls over the recording and the reporting of its gross revenues; properly calculated its total gross revenues and fees due to the City, and paid those fees on time; and complied with the other major requirements of its license agreement (e.g., paid its utility charges and maintained proper insurance coverage.)

Results

American Golf maintained adequate controls over the recording and reporting of its gross revenues, properly calculated fees due, and paid those fees in a timely manner to the City. American Golf maintained the required general liability, worker's compensation, property damage, and fire insurance policies that named the City as an additional insured party. In addition, American Golf made the required security deposit of \$31,250 and spent \$438,600 on capital improvements. Finally, American Golf paid the facility's utilities bills on time.

In view of these findings, the report made no recommendations.

AUDIT OF RENTAL CREDITS SUBMITTED BY THE NEW YORK YANKEES

According to the terms of their lease with the City, the New York Yankees are entitled to rental credits based on expenditures made for the electrical and physical maintenance of Yankee Stadium. The Comptroller's Office performs audits of labor and material expenses based on the terms of the lease and on the time sheets, invoices, cancelled checks, payroll reports, and union contracts submitted by the Yankees and their maintenance contractors.

In Fiscal Year 2002, we disallowed \$354,795 in rental credits for insufficient documentation, ineligibility of expenses, and errors in calculations. As of June 30, 2002, the Yankees have accepted \$238,215 of the disallowance as a New York Yankee cost.

Audit No.	Period Covered	Date Issued	Actual Revenue	Potential Revenue	Total
FR02-093A	4 th Qtr. 2000	02/27/02	\$ 41,742	\$ 6,400	\$ 48,142
FR02-123A	1 st Qtr. 2001	04/18/02	\$ 39,942	\$ 5,472	\$ 45,414
FR02-124A	2 nd Qtr. 2001	06/13/02	\$ 121,842	\$ 2,856	\$ 124,698
FR02-132A	3 rd Qtr. 2001	06/28/02	\$ 34,689	\$ 91,852	\$ 126,541
TOTAL			\$238,215	\$106,580	\$ 344,795

WELFARE FUNDS

Audit Report on the Financial and Operating Practices of the Communication Workers Association Local 1182 Security Benefits Fund

July 1, 1999 – June 30, 2000

Audit # FL02-083A

Comptroller's Audit Library # 7376

Issued: June 7, 2002

Monetary Effect: None

Introduction

This audit determined whether the Communication Workers Association Local 1182 Security Benefits Fund (Fund) complied with applicable procedures and reporting requirements, as set forth in Comptroller's Directive #12, *Employee Benefit Funds – Uniform Reporting and Auditing Requirements*.

Results

The Fund generally complied with the procedures and reporting requirements of Directive #12, as well as its own related procedures. In addition, the Fund had adequate internal controls over the processing and reporting of contributions received and benefit and administrative expenses paid. However, the Fund had some weaknesses in its financial and operating practices.

The audit found that the Fund: spent a larger percentage of its revenues on administrative expenses, compared to other funds of a similar size; slightly misstated benefit and administrative expenses on its financial statements and its Directive #12 filing; paid \$6,874 in questionable expenses; did not properly allocate rent charges for office space it shared with the Union resulting in the Fund paying \$21,120 in rent that should have been charged to the Union; and, does not maintain adequate control over its timekeeping function. In addition, the Union owes the Fund \$11,327 for rent, postage, and insurance expenses.

The audit recommended that the Fund's trustees:

- Strive to provide benefits to its members in an efficient and economical manner by bringing administrative costs more in line with those of other funds with total revenues of similar size.
- Ensure that revenues and expenses are recorded on its financial statements, in accordance with Comptroller's Directive #12.
- Recoup \$2,408 in questionable travel-related expenses from the Fund Trustee and Fund Administrator.
- Discontinue its practice of paying Christmas bonuses to its employees.
- Collect \$11,327 from the Union.
- Revise the space-sharing agreement to account for the Union's share of hallway space and common building space in the calculation of rent.

- Maintain daily attendance records for all Fund employees.

The Fund's response did not specifically address the audit's recommendations. In her response, the Fund Administrator stated that she did not agree that the Fund spent a larger percentage of its revenues on administrative expenses compared to other funds, that the Fund paid questionable expenses totaling \$6,874, that the Fund paid a disproportionate share of rent expense, and that the Fund needs to maintain sign-in/sign-out records for employees. The Fund Administrator, however, stated that measures have been taken to collect the remaining amount owed by the Union, and that administrative and benefit expenses will be accurately reported on the Fund's financial statements and Directive 12 filings in the future.

Update

The Fund reported that it disagreed with many of the recommendations proposed and believed no changes are required or necessary.

The Fund is in the process of implementing one recommendation pertaining to collecting \$11,327 from the Union. According to the Fund Administrator, the Fund has collected \$10,000 from the Union.

WELFARE FUNDS

Audit Report on the Financial and Operating Practices of the Detective Endowment Association Health Benefits Fund—Active Employees

Audit # FL02-085A
 Comptroller's Audit Library # 7394
 Issued: June 24, 2002
 Monetary Effect: None

Introduction

This audit determined whether the Detective Endowment Association Health Benefits Fund—Active Employees (Active Fund) complied with applicable procedures and reporting requirements as set forth in Comptroller's Directive #12, *Employee Benefit Funds – Uniform Reporting and Auditing Requirements*. The audit covered the period January 1, 1999, to December 31, 1999.

Results

The Active Fund generally complied with the procedures and reporting requirements of Comptroller's Directive #12 as well as with its own accounting procedures. In addition, the Active Fund had adequate internal controls over the processing and reporting of contributions received and benefit and administrative expenses paid. However, there were some weaknesses in the Active Fund's financial and operating practices. Specifically, the Active Fund made improper benefit payments totaling \$10,446 and it paid the Union \$17,878 for its share of certain expenses, but those expenses were either undocumented, questionable, or not related to Active Fund business. Moreover, the Active Fund paid \$3,951 in bonuses to its employees; did not verify the eligibility of members' dependents; and did not maintain adequate control over its timekeeping function.

The audit recommended that the Active Fund:

- Ensure that benefits are paid in accordance with its guidelines.
- Recoup the \$17,878 it overpaid the Union for allocated expenses.
- Pay for Union-allocated expenses that are related only to Active Fund business.
- Discontinue its practice of paying bonuses to its employees.
- Obtain and maintain copies of all documentation showing the eligibility of dependents.
- Maintain daily attendance records for all Active Fund employees.

The Fund response did not specifically address the audit's recommendations to follow Fund benefit guidelines, to recoup overpayments from the Union, and to ensure that the Fund pays only for expenses related to Fund business. It stated that a Trustee approved the exceptions to the Fund's benefits policies, and that although the Fund may have paid for certain expenses that were questioned by the audit, "the overall allocation methodology . . . results in a very inexpensive office." In addition, the Fund stated that it believes that paying bonuses to employees is appropriate and that daily attendance records are not necessary. The Fund stated, however, that it is obtaining information to verify eligibility of members as recommended in the report.

Update

The Active Fund reported that it disagreed with many of the recommendations proposed and believed no changes are required or necessary. The Active Fund did implement one recommendation pertaining to obtaining and maintaining copies of all documentation showing the eligibility of dependents.

WELFARE FUNDS

Audit Report on the Financial and Operating Practices of the Detective Endowment Association Health Benefits Fund—Retirees

Audit # FL02-086A

Comptroller's Audit Library # 7395

Issued: June 24, 2002

Monetary Effect: None

Introduction

This audit determined whether the Detective Endowment Association Health Benefits Fund—Retirees (Retiree Fund) complied with applicable procedures and reporting requirements as set forth in Comptroller's Directive #12, *Employee Benefit Funds – Uniform Reporting and Auditing Requirements*. The audit covered the period January 1, 1999, to December 31, 1999.

Results

The Retiree Fund generally complied with the procedures and reporting requirements of Comptroller's Directive #12, as well as with its own accounting procedures. In addition, the Retiree Fund had adequate internal controls over the processing and reporting of contributions received and benefit and administrative expenses paid. However, there were some weaknesses in the Retiree Fund's financial and operating practices. Specifically, the Retiree Fund: made improper benefit payments totaling \$785.24; paid the Union \$17,878 for its share of undocumented and questionable expenses or for expenses not related to Retiree Fund business; did not verify the eligibility of members' dependents; and, did not maintain adequate control over its timekeeping function.

The audit recommended that the Retiree Fund:

- Ensure that benefits are paid in accordance with its guidelines.
- Recoup the \$17,878 it overpaid the Union for allocated expenses.
- Pay for Union-allocated expenses that are related only to Retiree Fund business.
- Obtain and maintain copies of all documentation showing the eligibility of dependents.
- Maintain daily attendance records for all Retiree Fund employees.

The Fund’s response did not specifically address the audit’s recommendations to follow Fund benefit guidelines, to recoup overpayments from the Union, and to ensure that the Fund pays only for expenses related to Fund business. The Fund agreed that two of the 17 claims cited in the report were paid in error. It stated that the Fund would receive a credit from its health insurance company for six claims if the individuals were found to be ineligible. The Fund also stated that it found documentation supporting seven of the nine remaining claims. In addition, the Fund stated that although it may have paid for certain expenses that were questioned by the audit, “the overall allocation methodology . . . results in a very inexpensive office.” The Fund also stated that it believes that daily attendance records are not necessary. Finally, it stated that the Fund is obtaining information to verify eligibility of members’ dependents and spouses, as recommended in the report.

Update

The Fund did not provide follow-up information.

WELFARE FUNDS

Analysis of the Financial and Operating Practices of Union-Administered Benefit Funds Whose Fiscal Years Ended in Calendar Year 2000

Audit # FM02-073A
Comptroller’s Audit Library # 7420
Issued: June 28, 2002
Monetary Effect: None

Introduction

The audit analyzed the financial and operating practices of union-administered benefit funds whose fiscal years ended in calendar year 2000. New York City contributed approximately \$785.8 million to the 104 union-administered active and retiree welfare, education, and annuity funds whose fiscal years ended in calendar year 2000. Of the 104 funds, 13 funds received less than five percent of their total revenues in City contributions or had substantial revenues from sources other than the City, and two funds incurred a substantial loss on their investments that offset their revenue, putting their revenue in the “negative.” The audit compared data on the overall financial activities of the remaining 89 union-administered active and retiree welfare, education, and annuity funds. The City contributed approximately \$763.9 million to those 89 funds during fiscal year 2000.

The benefit funds were established under collective bargaining agreements and declarations of trust 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).

Results

This is the 21st 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. For example, some funds delayed members’ eligibility for benefits, contrary to the fund agreements.

The audit made nine recommendations to address the above weaknesses, including that:

- Trustees of funds with high administrative expenses and low benefits should reduce administrative expenses to improve their levels of benefits to members.
- Trustees of funds with low reserve levels should ensure that their funds maintain sufficient reserves to guard against insolvency.

Update

Not Applicable

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