

**Report To
The Mayor and City Council on
City Comptroller Audit Operations
Fiscal Year 2003**

March 1, 2004

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March 1, 2004

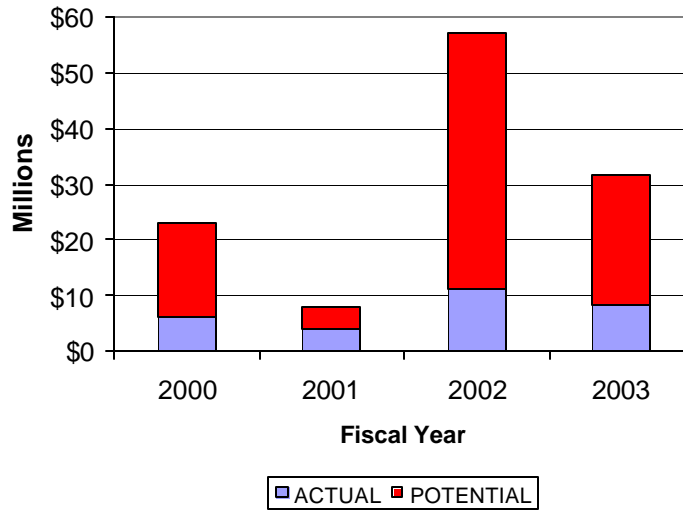
Mayor Bloomberg, Speaker Miller, and Members of the City Council:

I am pleased to transmit the New York City Comptroller's Charter-mandated report on audit operations for Fiscal Year 2003. The audit bureaus issued 109 audits and special reports during the fiscal year. This annual report contains the major findings and recommendations of audits issued by my audit bureaus over that period.

Of the audits issued this past year, I am particularly proud of my audit of the financial practices of the New York City Transit Authority that was conducted in response to concerns raised by the public about whether a proposed fare increase was justified. The audit found the Transit Authority failed to provide the public with complete, clear, and accurate information about its current and future financial position. While the Transit Authority's financial statements were audited by independent certified public accountants, my audit disclosed that operating expenses were overstated in the financial statements for 2001 and in the draft financial statements for 2002. In addition, the Transit Authority's Fiscal Year 2003 Operating Budget Proposal lacked essential information. Specifically, the Transit Authority improperly included capital costs and interest expense on long-term debt as operating expenses on its financial statements; and its Operating Budget Proposal did not provide adequate details of its debt service, savings from its debt restructuring, and projected revenue and expenses. Overall, the errors in the Transit Authority's financial statements, combined with the omissions and shortcomings in the Operating Budget, made it impossible for all concerned parties to assess the financial position of the Transit Authority and to make an informed judgment about the necessity for a fare increase.

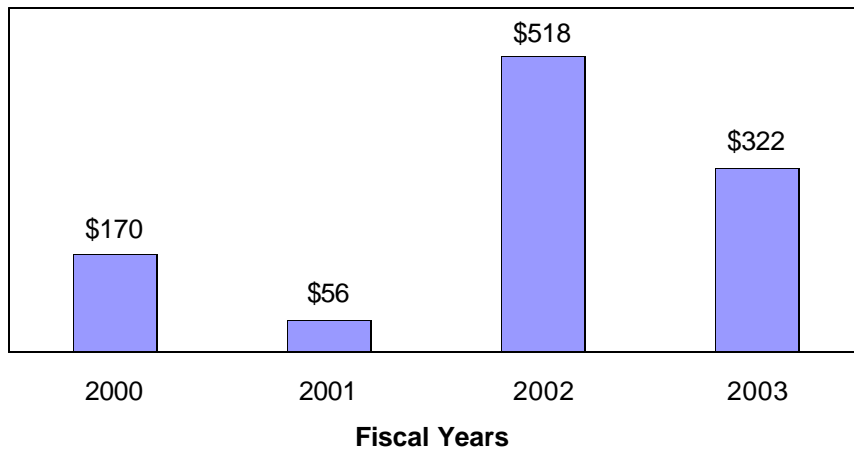
This year's audits resulted in \$8.6 million in actual revenue and savings and \$23.1 million in potential revenue and savings. This brings actual revenue and savings to \$19.7 million and potential revenue and savings to \$68.7 million for audits issued over the past two fiscal years. These results represent a 97 percent increase in actual revenue and savings and a 227 percent increase in potential revenue and savings over the amounts achieved during the 2000-2001 fiscal years. This was achieved despite a sizeable reduction in audit staff as a consequence of the effects of the City's early retirement program and hiring constraints brought on by the City's fiscal condition. The following chart illustrates the actual and potential revenue and savings generated by the audit bureaus during Fiscal Year 2003 and the prior three fiscal years.

Chart 1
Actual and Potential Revenue and Savings



Many of the revenues and savings identified in the audits completed during my tenure could produce benefits that recur in subsequent fiscal years. The 235 audits and special reports completed by my auditors during Fiscal Years 2002 and 2003 found approximately \$88.4 million in actual and potential revenue and savings. In fact, approximately \$50 million in revenues and savings could be realized in each fiscal year beginning in Fiscal Year 2004 based on the continuation of changes made as a result of my audits and on the implementation of my recommendations. Moreover, the average actual and potential revenue and savings per audit has increased dramatically in Fiscal Years 2002 and 2003, when compared to Fiscal Years 2001 and 2000, as shown in the following chart:

Chart 2
Actual and Potential Revenue and Savings
Per Audit (\$ in thousands)



In Fiscal Year 2003, my audits covered a myriad of topics, including financial reporting, revenue identification and collection, cost savings, program performance, asset management, internal controls, and information technology. Synopses of the most prominent audits in some of these areas are included below.

The audits that generated the most actual revenue were audits of: lease payments by the New York Mets, fiduciary accounts of the Department of Sanitation, and the compliance of the Neighborhood Youth and Family Services organization with its City contracts. Brief discussions of these audits follow:

- The Mets paid the City approximately \$4 million in additional rent as a result of two audits of its City lease agreement. The audits revealed that the Mets understated revenue and overstated deductions against gross revenue used to determine rental revenue due the City. Under its lease agreement with the Department of Parks and Recreation, the New York Mets are obligated to pay the City the greater of either an annual minimum rent of \$300,000 or certain percentages of revenues less allowable deductions.
- As a result of an audit of the Department of Sanitation's fiduciary accounts, the Department transferred nearly \$1.8 million in its Special Events Clean-Up account to the City's General Fund. The amount transferred represented deposits for events for which the City provided the services. The Special Events Clean-Up account was established to deposit money received from event organizers to be used either as a deposit to ensure that organizers clean up after events or to reimburse the City for the Department's personnel costs when providing the service.
- An audit of Neighborhood Youth and Family Services (NYFS), a Bronx community-based not-for-profit organization contracted by the City, found that it was overreimbursed a total of \$411,345. Accordingly, the City recovered these funds from NYFS. NYFS provides various social services, including counseling, drug treatment, housing assistance, and legal services.

Audits of civilianization opportunities at the Departments of Sanitation and Correction, Medicaid billings for autistic students by the Department of Education, and oversight of private ferry operators by the Department of Transportation generated the most potential revenue and savings. Brief discussions of these audits follow:

- An audit of the Department of Sanitation determined that it could save \$5.8 million by hiring civilians to fill 313 administrative positions currently held by uniformed workers. A similar audit of the Department of Correction determined that it could save \$4.7 million by civilianizing 167 positions.
- An audit of the Department of Education (DOE) found that it did not bill Medicaid for \$2.9 million in services provided to autistic students in Fiscal Year 2001. Of that amount, the City would have been entitled to 25 percent, or \$735,258. Moreover, the audit estimated that DOE did not bill Medicaid \$19.5 million for services provided to other eligible special education students. The City would have been entitled to \$4.9 million of that amount.

- An audit of the Department of Transportation disclosed that it did not bill private ferry operators for an estimated \$1.3 million in landing fees. The audit also noted that landing fees had not been increased in more than 20 years; increasing landing fees to levels suggested in the audit would generate as much as \$1.1 million in additional annual revenue.

Audits of the monitoring of day care centers by the Administration for Children's Services, of the Human Resources Administration program for housing HIV/AIDS clients, and of the conditions of stations maintained by the Metro-North and Long Island railroads disclosed significant service delivery issues, as follows:

- An audit of the Administration for Children's Services (ACS) revealed that it did not effectively monitor the 493 day care centers under contract with the City. Consequently, potentially hazardous conditions at the centers went uncorrected for extended periods of time.
- An audit of the Human Resources Administration (HRA) disclosed that it did not meet the needs of its HIV/AIDS clients. The audit determined that the HIV/AIDS Service Administration, a division of HRA, did not process clients' applications for permanent housing and financial assistance in a timely manner.
- Audits of Metro-North and Long Island railroad stations within the City found unsafe conditions at four stations operated by the Metropolitan Transportation Authority (MTA) in Queens and the Bronx. These conditions included uneven, cracked, and crumbling cement, peeling paint, damaged staircases, and loose metal plates. Many of these same conditions had been found in an audit performed the previous year and had not been remedied. In addition, auditors reported that Metro-North station conditions were worse and the quality of repair work was inferior at City stations when compared with those in Westchester County.

Audits of inventory controls at Kings County Hospital and at the Department of Homeless Services identified significant deficiencies in asset management, as follows:

- An audit of Kings County Hospital disclosed that it did not have adequate controls over its inventory of non-narcotic drugs and medical and surgical supplies. The audit found that when the amounts in the computerized inventory system were compared to supplies on hand, there was a discrepancy of 71 percent in drugs on hand and a discrepancy of 91 percent in medical and surgical supplies on hand. Moreover, Kings County officials made adjustments totaling \$8.6 million to its Fiscal Year 2002 year-end inventory count of non-narcotic drugs and medical and surgical supplies without ever investigating the cause of the discrepancies.
- An audit of the Department of Homeless Services revealed that it did not have adequate controls over its computer equipment inventory. Consequently, the Department could not account for \$1,640,180, or 40 percent, of the \$4.1 million in computer equipment purchased in Fiscal Years 2000, 2001, and 2002.

Given the significant taxpayer dollars spent on information technology and the increased reliance of City agencies on computer systems, I have continued to dedicate a portion of the bureaus' resources to audits of system-development projects at various City agencies. Many of these audits identified excessive cost overruns, missed deadlines, and systems that simply did not meet agency needs. My audits of the Person Registry Information Management Environment (PRIME) system, the Electronic Death Registration System (EDRS) and the Auto Time System were the most noteworthy system-development audits performed. Brief descriptions of these audits follow:

- Audits of two computer systems of the Department of Health and Mental Hygiene found that the Department failed to follow a formal systems development methodology; follow City procurement guidelines; and employ an independent quality assurance consultant when developing PRIME and EDRS. These factors contributed to the Department's failure to develop and implement PRIME and EDRS despite the payment of more than \$7.8 million to the vendor contracted to develop the systems. The PRIME system was to automate the collection, tracking and analysis of disease reports in the City, and EDRS was to automate the functions of the Department's death registration unit.
- An audit of the Human Resources Administration's (HRA) development of the Auto Time System found that the system was incomplete and cost \$24.8 million—\$15.2 million more than the initial contract amount. In addition, HRA claimed that implementation of the system would save the City \$15.7 million. However, based on the costs of developing and maintaining the system, the audit concluded that the City would not realize any of the envisioned savings.

In the coming years, I will continue to deliver on my commitment to finding ways to enhance revenue, uncover waste and abuse, and improve agency operations. Hence, my auditors will continue their efforts to identify ways to maximize City revenue, strengthen the internal controls of agencies over their operations, and reduce City costs through more efficient service delivery.

Very truly yours,

A handwritten signature in black ink that reads "William C. Thompson, Jr." The signature is written in a cursive style with a large, stylized initial 'W'.

William C. Thompson, Jr.

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SUMMARY OF AUDIT RESULTS

Actual savings and revenues identified in Fiscal Year 2003 totaled \$ 8.6 million.

Potential cost avoidance, savings and revenues identified in Fiscal Year 2003 totaled \$ 45.3 million. It should be noted that these are estimates of what could be achieved if all of the audit recommendations are implemented. Of this \$ 45.3 million:

- \$ 23.1 million represents potential cost savings or revenues from a variety of management and financial audit findings.
- \$ 22.2 million represents potential cost avoidance resulting from audits of claims totaling \$24.2 million.

The Comptroller's Bureau of Management Audit, Bureau of Financial Audit, and Bureau of Engineering issued 109 audits and special studies in Fiscal Year 2003. 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 "Audit Follow-up" 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 2003

<u>AUDIT TYPE</u>	<u>FISCAL YEAR 2003 NUMBER OF REPORTS</u>	<u>FISCAL YEAR 2003 ACTUAL SAVINGS/REVENUE</u>	<u>FISCAL YEAR 2003 POTENTIAL SAVINGS/REVENUE(1)</u>	<u>FISCAL YEAR 2003 POTENTIAL COST AVOIDANCE</u>	<u>TOTAL</u>
Government Agencies					
Audits	76	\$2,917,363	\$20,856,534	\$0	\$23,773,897
Managerial Lump Sum Reviews	NA	\$577,889	\$0	\$0	\$577,889
High Risk Voucher Reviews	NA	\$509,076	\$2,114,192	\$0	\$2,623,268
Total Government Agencies	76	\$4,004,328	\$22,970,726	\$0	\$26,975,054
Non-Government Agencies	33	\$4,555,503	\$89,151	\$22,231,378	\$26,876,032
Grand Total Government and Non-Government Agencies	109	\$8,559,831	\$23,059,877	\$22,231,378	\$53,851,086

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

SECTION I

GOVERNMENT AGENCIES

DEPARTMENT FOR THE AGING (DFTA)

Audit Report on the Compliance of Builders for the Family and Youth Diocese of Brooklyn with Its Department for the Aging Contract for the Operation of the Bay Senior Center

Audit # MG03-058A

Comptroller's Audit Library # 7465

Issued: May 28, 2003

Monetary Effect: None

Introduction

The Bay Senior Center (The Bay) is operated by Builders for the Family and Youth Diocese of Brooklyn (BFFY), an affiliate of Catholic Charities. BFFY was selected as the contractor to operate The Bay Senior Center after responding to a Request for Proposal issued by the Department for the Aging (DFTA).

The audit determined whether BFFY maintained adequate and accurate records of expenses and revenues of The Bay, adequately and satisfactorily provided the services called for in its contract with DFTA, and complied with the key terms of its contract. The scope of the audit covered the period Fiscal Year 2002 and July through January of Fiscal Year 2003.

Results

BFFY generally maintains adequate and accurate records of the revenues and expenses of The Bay. BFFY accurately reported expenditures and requested reimbursement only for expenses that were actually incurred. Accurate records were maintained for the client contributions for lunch and daily transportation.

In addition, BFFY adequately and satisfactorily provides most of the services called for in its contract with DFTA. However, the performance levels for two of The Bay's core services were below the service target, and there were discrepancies in some of the service numbers reported on the Contractor Invoice and Service Report.

Also, BFFY did not always comply with the requirements of its contract with DFTA or with the DFTA *Fiscal Management Manual*. Specifically, BFFY commingled the DFTA funds for The Bay with funds it received to operate another center; employees did not complete and sign their own timesheets; Contractor Invoice and Service Reports were not submitted in a timely fashion; deposits were not made daily; and 13 percent of invoices did not contain initials to show that they had been verified by BFFY officials prior to payment.

The audit made 17 recommendations, some of which are listed below. DFTA should:

- Ensure that BFFY's staff promotes The Bay's presence and services in the community to increase average daily attendance. DFTA should then monitor ongoing attendance.
- Have BFFY's central administration and The Bay's staff talk with center attendees to determine why so few are taking advantage of the transportation services, and re-design the program to increase attendance or more widely publicize in Sheepshead-Nostrand Houses the availability of The Bay's transportation service.

- Ensure that the service delivery numbers on the Contractor Invoice and Service Report are accurate and can be supported by the proper back-up documentation.
- Revise the contract language if it no longer requires that separate accounts be maintained for each contract.
- Ensure that the contractor can generate separate reports for the transactions of each center.
- Require employees at The Bay to fill out and sign their own timesheets, which should also be signed by the employee's supervisor.
- Require contractors to tag all equipment that is susceptible to theft, not just the items that cost more than \$1,000.
- Ensure that invoices for reimbursement are submitted by BFFY by the 20th day of the following month, as required by DFTA.

DFTA generally agreed with all but one recommendation. It disagreed with the recommendation that it require contractors to tag all equipment that is susceptible to theft.

Audit Follow-up

DFTA reported that it has implemented 16 of the 17 recommendations. It continues to disagree with the recommendation that it require contractors to tag all equipment that is susceptible to theft.

STATEN ISLAND BOROUGH PRESIDENT'S OFFICE

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

Audit # FP02-171A

Comptroller's Audit Library # 7467

Issued: June 4, 2003

Monetary Effect: Potential Savings: \$36,413

Introduction

This audit determined whether the Staten Island Borough President's Office (Borough President's Office) complied with applicable payroll, timekeeping, purchasing, and inventory procedures, as set forth in Office of Payroll Administration policies and procedures, Procurement Policy Board Rules, and Comptroller's *Internal Control and Accountability Directives*. The scope of this audit covered the period July 1, 2001, to June 30, 2002.

Results

The Borough President's Office generally adhered to all applicable payroll, timekeeping, purchasing, and inventory policies and procedures. Our examination of the Borough President's Office Personal Services and Other Than Personal Services expenditures disclosed no instances in which monies were improperly used.

However, the audit found that the Borough President's Office: did not always accurately charge employees' leave balances for annual and sick leave use; permitted employees to carry compensatory time beyond the 120 day limit; did not place on sick leave restriction employees who had more than five undocumented sick leave instances within a "sick leave period," as required by the *Time and Leave Regulations*; paid employees in excess of their *Career and Salary Plan* title salary ranges; did not ensure that the preparation and review of its "employee update" and "job appointment" forms were performed by different individuals; did not ensure that each page of the voucher packages sampled was stamped "vouchered" as required by Directive #24; did not ensure that the purchase requisition forms had all required signatures of approval; and did not ensure that its employees disclosed in writing to the Conflicts of Interest Board their positions with not-for-profit organizations that received discretionary grants from the Borough President's Office. Moreover, the Office did not maintain copies of the insurance certificates required under agreements with vendors and recipients of discretionary grants.

To address these issues, the audit made 13 recommendations, including that the Borough President's Office should:

- Ensure that timekeeping transactions are carefully reviewed.
- Require employees to use compensatory time within 120 days after it is earned.
- Transfer employees whose salaries currently exceed their title limits into other titles that they qualify for and that have salary ranges that properly encompass their current pay levels.
- Implement a tracking system to ensure that grantees and vendors provide up-to-date insurance certificates covering the entire period of their contracts.

The Borough President's Office agreed with the audit's recommendations and described specific steps that it has taken to address the exceptions noted in the report. In that regard, the Borough President's Office stated that the salary of one employee will be reduced to the maximum of her civil service title—adjustment of \$36,413 annually.

Audit Follow-up

The Borough President's Office did not provide follow-up information.

DEPARTMENT OF BUILDINGS (DOB)

Audit Report on the Internal Audit Review of Professionally Certified Building Applications by The Department of Buildings

Audit # EW01-177A

Comptroller's Audit Library # 7452

Issued: April 30, 2003

Monetary Effect: None

Introduction

The Department of Buildings (DOB) has jurisdiction over more than 800,000 buildings in New York City. DOB is responsible for granting building permits, inspecting construction work, and licensing trades people. To obtain a building permit, a property owner must employ a New York State licensed professional engineer or registered architect to prepare plans and then must submit them to DOB. DOB examiners review the plans to ensure they comply with applicable requirements. Alternatively, property owners can obtain a building permit by having their permit applications "self-certified" by a licensed engineer or architect who affirms that the plans comply with all applicable laws and codes. Self-certification eliminates the plan review process by DOB, thereby expediting the processing of permit applications. DOB procedures require that a minimum of 20 percent of all self-certified applications be subject to an internal DOB audit.

The audit determined: 1) whether current DOB audit policies and procedures are adequate to deter and detect noncompliance with relevant building and zoning laws, codes, and regulations; and 2) whether DOB complied with its policies and procedures for auditing professionally certified applications. The audit covered the period July 1, 2000, through June 30, 2001.

Results

The audit found that DOB conducted reviews of 20 percent of the professionally certified applications submitted to the Department, in accordance with its policies and procedures. However, the audit disclosed several serious weaknesses in the program, as follows:

- In Fiscal Year 2001, DOB reported that 59 percent of the applications it reviewed contained errors, while this audit disclosed that 67 percent of applications contained errors.
- Certain errors on applications identified during the audit were not uncovered during DOB reviews.
- DOB did not always conduct its audits within 45 days of the issuance of the permit, as required by its procedures.
- DOB has no formal guidelines for determining whether an error on an application is serious and should therefore be reported to borough commissioners for appropriate action. Consequently, certain problems that are treated as serious in one borough may be treated differently in other boroughs.
- DOB procedures do not specify how applications should be selected for review. While borough office commissioners claimed that applications were selected for review based a number of different factors, including the complexity of the project and the frequency of problems found

with certain applicants, there was no documentation showing how these issues were considered when applications were selected. Such a system lacks internal controls and leaves the Professional Certification program susceptible to fraud and abuse.

- DOB has no formal guidelines for determining whether applicants should be investigated. In addition, there is no DOB database that tracks problems on applications by applicant that could be used to identify patterns and problems with certain architects and engineers who should be investigated.
- Three DOB borough offices had no fee estimators to verify that appropriate permit fees are being paid, contrary to DOB procedures.

The report made 14 recommendations, including that DOB:

- Provide appropriate training to plan examiners to help ensure that they issue 10-day notices when required.
- Ensure that audits are performed within 45 days of permit issuance, as required.
- Develop a citywide standard and implement formal guidelines for determining whether problems on applications are serious and require the issuance of a ten-day notice.
- Issue guidelines that specify how borough offices are to select applications for audit and ensure that the borough offices comply with the agency guidelines.
- Develop and implement guidelines and a formal process for the borough offices to follow when identifying applicants for investigation.
- Periodically ensure that borough offices have technical personnel assigned to review cost estimates.

DOB generally agreed with the report’s recommendations except those pertaining to: developing a citywide standard and formal guidelines for determining whether problems on applications are serious. In addition, DOB stated that because of legal constraints it cannot implement the audit’s recommendations to develop pre-qualification requirements for applicants who want to professionally certify and to accept applications only from registered architects and engineers.

Audit Follow -up

DOB reported that 12 recommendations have been or are in the process of being implemented, and that the remaining two recommendations that DOB disagreed with (as discussed above) will not be implemented.

ADMINISTRATION FOR CHILDREN'S SERVICES (ACS)

Follow-up Audit Report on Data Processing Controls and Procedures of the Administration for Children's Services

Audit # 7F03-114

Comptroller's Audit Library # 7469

Issued: June 6, 2003

Monetary Effect: None

Introduction

The Administration for Children's Services (ACS) provides protection to children subjected to abuse and neglect; provides preventive services to families to maintain the safety of children; and, when necessary, provides children with safe foster care or adoptive homes. Directly or through contracts, ACS administers childcare, early childhood education, and child support enforcement services. Within ACS, the Office of Management Information Services (MIS) is responsible for purchasing computer equipment; developing and supporting application software; and operating the Data Center.

This follow-up audit determined whether the New York City Administration for Children's Services implemented recommendations made in a previous audit entitled, *Audit of the City of New York's Administration for Children's Services Data Processing Controls and Procedures* (Audit # 7A00-151, issued January 9, 2001). Audit fieldwork began in October 2002 and ended in March 2003.

Results

The previous audit contained 18 recommendations to ACS, of which six have been implemented, three have been partially implemented, and nine have not been implemented.

The six recommendations that were implemented pertain to developing security procedures for non-ACS users, issuing security control reports, establishing fire safety and fire control procedures, securing the Data Center room against environmental risks, and using formal property pass procedures to keep track of ACS MIS property.

The three recommendations that were partially implemented pertain to developing and implementing a disaster recovery plan that is in full compliance with Comptroller's Directive 18, creating a formalized change control program, and maintaining an inventory of the automated systems and software products that support each business function.

The nine recommendations that were not implemented pertain to updating the disaster recovery plan, conducting a comprehensive test of the disaster recovery plan, setting proper security features for remote dial-in users, installing smoke detectors in the Data Center, installing a system that will determine when a smoke detector is activated, testing all fire extinguishing equipment and smoke detectors, conducting annual inventory reconciliation procedures, using individual property identification tags, maintaining an inventory of computer equipment, and conducting annual inventory reconciliation procedures for all software licenses it uses.

In addition, this audit disclosed that ACS does not ensure that: users periodically change their passwords; accounts of terminated employees are deactivated; unlimited failed login attempts from remote sites are disconnected; and employees who have access to the most critical network functions and data are monitored.

The audit made fourteen recommendations, including that ACS:

- Implement the disaster recovery plan and update the plan on an as-needed basis.
- Install smoke detectors and fire suppression systems.
- Conduct an annual inventory reconciliation of all computer equipment and software licenses.
- Affix identification tags to all of its computer equipment.
- Ensure that passwords are changed at predetermined intervals.
- Establish and implement formal procedures for deactivating system access of terminated employees.
- Disconnect remote access of users after a specified number of failed log-in attempts.
- Monitor the activities of users with Domain Administrator access in accordance with Directive 18.

ACS agreed to implement 13 of the 14 recommendations. ACS did not agree to implement the recommendation to activate the call back function contained in the Cisco software. In that regard, ACS stated that “the call back function has not been implemented since staff must travel to multiple locations and this function will not work due to its static nature.”

Audit Follow-up

ACS reported that it has implemented four recommendations and is in the process of implementing the remaining nine recommendations that it agreed with.

ADMINISTRATION FOR CHILDREN'S SERVICES (ACS)

Audit Report on the Days-of-Care and Expenses Reported by OHEL Children's Home and Family Services, Inc., for Its Foster Care Programs, July 1, 1999, through June 30, 2000

Audit # FM03-071A

Comptroller's Audit Library # 7443

Issued: April 3, 2003

Monetary Effect: Actual Savings: \$93,366

Introduction

OHEL Children's Home and Family Services Inc. (OHEL), a not-for-profit organization, provided foster care services to approximately 138 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 OHEL \$2,645,524 for providing services to individuals in its foster care programs.

This audit determined whether OHEL 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.

Results

OHEL 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 for OHEL, it determined that ACS owed OHEL \$245,779 due to differences between OHEL's reported expenses and ACS advances. However, the audit found that OHEL is owed \$168,654, not the \$245,779 that ACS would have paid to OHEL. OHEL incorrectly reported days-of-care on its Standards of Payment Program Statistics DSS-2651, Care Day Census Calculation, and other documents submitted to ACS, the documents upon which ACS based its closeout. Moreover, OHEL owes the City \$16,241 because it did not use all of the Independent Living Skills Program funds that it received from ACS. Consequently, ACS owes OHEL \$152,413 rather than the \$245,779 determined by the closeout. Further, OHEL reported \$397,993 in expenses that were not allowable under New York State and ACS regulations. However, the disallowed charges did not result in a recoupment of funds because the auditors' computed operating per diem rates exceeded the maximum per diem rates allowed. Finally, OHEL paid its foster parents at rates that were lower than the rates approved by the State.

The audit recommended that OHEL:

- Include only allowable program expenses on its Report of Actual Expenditures DSS-2652.
- 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 OHEL \$152,413 rather than the \$245,779 determined by the ACS year-end closeout.
- Ensure that OHEL complies with the report's recommendations.

ACS, which also responded on behalf of OHEL, stated that both organizations agreed with the audit's findings and recommendations.

Audit Follow-up

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

ADMINISTRATION FOR CHILDREN'S SERVICES (ACS)

Audit Report on Edwin Gould Services for Children, and Its Compliance with Its Child Care Agreement, (July 1, 2000, to June 30, 2001)

Audit # FN02-143A

Comptroller's Audit Library # 7421

Issued: July 16, 2002

Monetary Effect: Actual Savings: \$29,893

Introduction

Edwin Gould Services for Children (Edwin Gould), is a not-for-profit organization that provides services to children in its Boarding Home, Group Home, Agency Operated Boarding Home, and Diagnostic/PINS (Persons In Need of Supervision) programs. Foster care providers are reimbursed for expenses based on a per diem rate that is calculated according to a formula developed by the New York State Office of Children and Family Services and 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 Edwin Gould 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 Edwin Gould \$9,655,944 for providing services to 575 individuals in its foster care programs for the period July 1, 2000, to June 30, 2001 (Fiscal Year 2001). In addition, Edwin Gould received \$264,862 from ACS for its Independent Living Skills Program—an educational program for individuals in its care who are at least 14 years of age—and \$82,815 for its Substance Abuse Prevention Program.

Results

Edwin Gould 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, Edwin Gould owes the City a total of \$29,893 for Fiscal Year 2001. Edwin Gould owes: \$22,965 because of differences between the funds that ACS advanced to Edwin Gould and the expenses incurred by Edwin Gould that were audited; and \$6,928 for unspent funding received from ACS for its Independent Living Skills Program.

The audit made five recommendations, including that Edwin Gould:

- Remit \$29,893 to the City.
- Report its days-of-care accurately and in accordance with New York State and ACS regulations.
- 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 Edwin Gould would repay ACS \$29,893.

Audit Follow-up

ACS reported that all of the recommendations have been implemented.

ADMINISTRATION FOR CHILDREN'S SERVICES (ACS)

Audit Report on the Compliance of Louise Wise Services with Foster Child Care Payment Regulations, July 1, 2000-June 30, 2001

Audit # FN03-095A

Comptroller's Audit Library # 7470

Issued: June 2, 2003

Monetary Effect: Actual Savings: \$20,624

Introduction

Louise Wise Services (Louise Wise) is a not-for-profit organization that provides services to children in its Foster Boarding Home, Mother-Babies Group residence, and Maternity Program under a contract with the Administration for Children's Services (ACS). Foster care providers are reimbursed for expenses based on a per diem rate that is calculated according to a formula developed by the New York State Office of Children and Family Services and that is limited to the Maximum State Aid Rate established by the New York State Office of Children and Family Services and ACS.

This audit assessed the adequacy of Louise Wise's internal controls over the recording and reporting of expenses, revenues, and days-of-care; the appropriateness of its per diem rates; and its compliance with State and City payment and reimbursement standards.

ACS advanced Louise Wise \$6,773,567 for providing services to 448 individuals in its foster care programs for the period July 1, 2000, to June 30, 2001 (Fiscal Year 2001). In addition, Louise Wise received \$173,930 from ACS for its Independent Living Skills Program, an educational program, and \$42,000 for its Substance Abuse Prevention Program.

Results

Louise Wise generally complied with the promulgated announcements and regulations of the New York State *Standards of Payment* and the City *Foster-Care Reimbursement Bulletin No. 92-5*. It had an adequate system of internal controls over the recording and reporting of its revenue, expenses, and days-of-care. However, as a result of our audit adjustments, Louise Wise is owed \$128,262, \$20,624 less than it would have received from ACS for Fiscal Year 2001. In addition, Louise Wise included \$17,574 in administrative expenses on its *Report of Actual Expenditures DSS-2652* that should not have been charged to its foster care programs. However, these disallowances did not result in repayment of funds to ACS because the auditors' computed operating per diem rates exceeded the maximum per diem rates allowed, even after the unallowable expenses were deducted.

The audit made four recommendations, including that Louise Wise:

- Report its days-of-care accurately and in accordance with New York State and ACS regulations.
- Include only allowable program expenses on its *Report of Actual Expenditures DSS-2652*.

ACS, which also responded on behalf of Louise Wise, stated that both organizations agreed with the audit's findings and recommendations.

Audit Follow-up

ACS reported that all of the recommendations have been implemented.

ADMINISTRATION FOR CHILDREN'S SERVICES (ACS)

Audit on the Use of Administration for Children's Services Funds by the Whitney M. Young Jr. Day Care Center

Audit # MD02-187A

Comptroller's Audit Library # 7435

Issued: February 13, 2003

Monetary Effect: Potential Revenue: \$727,992

Introduction

The Whitney M. Young Jr. Day Care Center (Center), now closed, was under contract with the Administration for Children's Services (ACS) to provide child care services to approximately 90 pre-school and 40 school-age children. The contract with ACS also allowed the Center to provide child care services at 12 family day care homes. Tuition for children attending the Center or one of its family day care homes was either fully paid or partially paid by ACS. SICC was responsible for the management and control of the Center. It set policy, oversaw administration, monitored the finances, and hired the Center's Executive Director. SICC also oversaw other programs.

Initially, this audit was to determine whether the Center was in compliance with its contract with ACS. The Center is a not-for profit organization and is sponsored by the Staten Island Children's Council (SICC). However, during the course of the audit some potentially fraudulent transactions and misappropriations of both Center and SICC funds were found. Therefore, the audit's objective was modified to determine whether and to what extent embezzlement and misappropriations of Center and SICC funds had occurred. The initial audit period was Fiscal Year 1999; after the modification of the audit objective, the period expanded to include the period March 1, 1997, through December 31, 2000.

Results

There were significant irregularities in SICC's financial practices. SICC failed to disclose the existence of eight bank accounts and commingled Center funds with other program funds, a practice prohibited by the Center's contract with ACS. The audit identified potentially fraudulent transactions and misappropriation of funds totaling \$727,992, some of which are listed below:

- Questionable expenses, totaling \$367,562, were made from various SICC bank accounts.
- SICC funds, totaling \$69,525, were used to make mortgage payments for a personal residence. The Children's Holding Corporation applied for the mortgage, and the Center's Executive Director signed as the Corporate Officer for the mortgage.
- The address for a former operator of one of the Center's family day care homes was the same as one of the home addresses listed in various computer databases for the Center's Executive Director. The audit questioned the payments made, totaling \$31,914, to the operator.
- Questionable ATM purchases and withdrawals totaling \$10,156 were made from an SICC bank account.
- Checks totaling \$27,608 were paid from and then deposited in the same account.

The audit made seven recommendations, the most significant of which were that ACS should take measures to ensure that:

- The matters identified in the audit report regarding the irregularities in SICC financial practices are investigated.
- It recoups from SICC the potentially misappropriated funds identified, totaling \$727,992.
- An investigation is conducted to determine whether anyone other than Denise Pedro, the Center's former Executive Director, was involved with the irregularities in SICC financial practices.
- It does not award any future contracts to SICC or other organizations that have any associations with SICC's board members or its former Executive Director.

ACS officials agreed with the audit's findings and recommendations and stated that they referred the matter to the appropriate agencies and recommended recovery of funds.

Audit Follow-up

ACS reported that it has taken steps to implement the audit's recommendations.

ADMINISTRATION FOR CHILDREN'S SERVICES (ACS)

Audit on the Compliance of the Seamen's Society for Children and Families with Its Day Care Contracts with the New York City Administration for Children's Services

Audit # MD03-063A

Comptroller's Audit Library # 7490

Issued: June 25, 2003

Monetary Effect: None

Introduction

The Seamen's Society for Children and Families (Society) is a not-for-profit organization under contract with the Administration for Children's Services (ACS) to provide day care services to approximately 60 pre-school children at the Edwin Markam Childcare Center, in Staten Island. The Society is also under another contract with ACS to provide services to approximately 233 children at 30 family day care homes, also in Staten Island. During Fiscal Year 2002, the scope of the audit, the Society received City funds totaling \$2,097,522 from ACS: \$401,578 for the Center contract and \$1,695,944 for the family day care home contract.

This audit determined whether the Society complied with the provisions of both its Center and family day care home contracts with ACS. In addition, the audit determined whether the Society spent ACS funds on legitimate expenses related to the operation of its day care services to children.

Results

The Society generally complied with the provisions of both its Center and family day care home contracts and had adequate internal controls over its financial processes. All ACS funds received for day care services were properly deposited and recorded in the cash receipts journals and were spent on legitimate expenses related to the operation of the day care services to children.

However, the audit disclosed certain weaknesses, including that the family day care home operators did not always ensure that children were cared for in a safe environment; the files for Center employees and family day care home operators did not always contain the required documentation of background investigations and did not always contain evidence, as required, of training; and the Society undercharged private students.

The audit made 16 recommendations, the most significant of which were that the Society and ACS should:

- Conduct unannounced inspections more frequently at all family day care homes to ensure that they are maintained in a safe and sanitary manner and comply with health code regulations.
- Ensure that background investigations are performed in a timely manner and conducted for all family day care home operators, their assistants, and their household members 18 years of age or older. Furthermore, the Society should ensure that medical clearances are up-to-date for all family day care home operators, their assistants, and their household members.
- Ensure that all family day care home operators and their assistants receive the required 15 hours of training each year. The training certificates should be maintained in the files.
- Obtain the required Department of Investigation background investigations for the six employees identified by this audit and ensure that the required background investigations are performed in a timely manner for all employees and are maintained in their personnel files.
- Immediately arrange for the eight employees identified by this audit to be trained in detecting child abuse and maltreatment and ensure that all employees receive this training immediately after hiring. Training certificates should be kept in personnel files of the employees.

ACS should:

- Periodically review the personnel files for all employees of the Society to ensure that the required documents, such as background investigations and training, are maintained.
- Periodically review the files for all the family day care homes affiliated with the Society to ensure that the required documents, such as background investigations, up-to-date medical clearances, and training, are maintained.

ACS and Society officials generally agreed with the audit's findings and recommendations and have taken steps to investigate some of the conditions and missing documents identified.

Audit Follow-up

ACS reported that the audit recommendations have been implemented.

ADMINISTRATION FOR CHILDREN'S SERVICES (ACS)

Audit of the Oversight of Contracted Day Care Centers by the Administration for Children's Services

Audit # ME01-179A

Comptroller's Audit Library # 7486

Issued: June 25, 2003

Monetary Effect: None

Introduction

The Administration for Children's Services (ACS) is responsible for ensuring that all publicly funded day care centers meet federal, State, and City regulations. ACS provides support services to the centers and monitors their services by reviewing every participating sponsor's annual audit report to ensure that all fiscal obligations are met. In addition, its staff members visit every day care center and perform programmatic evaluations.

This audit of ACS tested the effectiveness of ACS's monitoring of the contracted day care centers. In Fiscal Year 2001, ACS had contracts with 260 sponsors that operated a total of 493 day care centers throughout the five boroughs. The allotted 61,553 day care center slots were filled and cost the City a total of \$440 million.

This audit determined whether ACS is providing adequate oversight of the day care centers under contract with the City. The period covered by this audit was Fiscal Year 2001 through September 2002.

Results

Based on the testing of 50 randomly selected sample of sponsors, ACS oversight of the day care centers is ineffective and lacks a coordinated and comprehensive approach by the four monitoring units responsible for overseeing the fiscal and programmatic requirements of the contracted day care centers. Among the audit's findings were:

- Six percent of the sampled sponsors failed to submit an annual audit report to ACS, and 59 percent of the remaining sponsors submitted the annual report after the required due date.
- Twenty-four percent of the sampled sponsors engaged CPA firms that were not on the Comptroller's Pre-qualified List, contrary to ACS Interim Audit Guidelines.
- Forty-three percent of the sampled sponsors who collected private tuition failed to include those funds in their financial statements.
- There is little communication among the four separate units that monitor and evaluate the sponsors' performance. In addition, these units have no central tracking system to allow the units to readily identify outstanding deficiencies. As a result, fiscal and programmatic deficiencies remain unresolved or go undetected.
- There are inadequate outreach efforts by ACS to train staff at day care centers that are poorly run and identified by ACS as having serious problems. As a result, the staff most in need of training are not taking the classes offered by ACS.

- ACS failed to perform an annual programmatic evaluation at 20 percent of the sampled day care centers. ACS classified half of these day care centers as “needing the most assistance.”

To address these issues, the audit made 14 recommendations, among them that ACS should:

- Determine whether each day care center has private tuition students and ensure that this information is accurately reflected in the annual audit reports prepared by the CPA firms.
- Consider reorganizing the Audit Review and Fiscal Compliance Unit and the Technical Assistance Unit to improve communication and avoid duplication of effort.
- Consider reorganizing the Program Assessment Unit and the Resource Area Units to improve communication and to hold those in charge accountable for all programmatic matters of day care centers, including performing annual program evaluations, visiting the day care centers, and responding to the centers' program needs.
- Update and develop clearly written procedures and establish a strong internal control structure to ensure that day care centers and sponsors are properly evaluated and that program deficiencies are identified and resolved.
- Develop and implement a centralized automated tracking system that includes all the day care centers and sponsors, complete with defined milestones, to ensure that each day care center and sponsor complies with applicable contract requirements. This system should be accessible to all the ACS units.

In its response, ACS agreed with 10 of the audit recommendations and partially agreed with the remaining four.

Audit Follow-up

ACS reported that it is in the process of implementing all the recommendations.

ADMINISTRATION FOR CHILDREN'S SERVICES (ACS)

Follow-up Audit Report on the Effectiveness of the Child Support Helpline of the Administration for Children's Services

Audit # MJ03-085F

Comptroller's Audit Library # 7471

Issued: June 10, 2003

Monetary Effect: None

Introduction

This follow-up audit determined whether the Administration for Children's Services (ACS) implemented the six recommendations made in a previous audit of the Child Support Helpline of the ACS Office of Child Support Enforcement (OCSE). The mission of ACS is to provide protective and supportive services for New York City's children and families. OCSE offers services to the public to ensure that legally responsible parents provide financial child support. In Fiscal Year 2001, an audit was conducted to evaluate whether the OCSE Child Support Helpline (Helpline) was in compliance with the Citywide Customer Service Initiative for telephone helplines.

The previous audit found a number of weaknesses. Of 147 calls made by auditors to the Helpline requesting operator assistance, 99 (67%) were disconnected by the Helpline because the system had insufficient resources to handle the volume of calls received. In addition, there was evidence that the Helpline staff was not being used efficiently. OCSE did not ensure that the 14 available operator stations were fully staffed during all hours that operator assistance was provided. This follow-up audit covered the period July 2002 through January 2003.

Results

Of the six recommendations from the previous audit, OCSE implemented one, partially implemented three, and was unable to implement two. This follow-up audit found that OCSE has made some improvements in the Child Support Helpline system by hiring more operators and increasing the size of the hold-queue. As a result, more calls are answered by operators and more calls requesting operator assistance are accepted in the Automated Call Distribution (ACD) system. In addition, OCSE has improved the Helpline's overall efficiency since the previous audit in regard to the number of calls answered per operator and the number of calls accepted per operator station. However, there are areas that still need improvement. Of 71 calls made to the Helpline, 17 (24%) were disconnected when the auditors requested operator assistance. In addition, 44 (81%) of the remaining 54 calls were allowed to ring at least 30 times (approximately three minutes) once they were transferred to the operator lines. The audit also found that OCSE did not make the necessary changes to the ACD system that would make it easier to assist callers and help OCSE identify the true workload involving calls requesting operator assistance.

The audit made five recommendations. ACS should:

- Require that coordinators and supervisors monitor operators' lines to ensure that operators do not neglect to put their lines in "not ready" mode when they leave their stations.
- Devise a method to compile and analyze data regarding unsuccessful attempts of callers to obtain operator assistance. This information could be used to help determine the actual volume of calls requesting operator assistance and to identify areas where improvement is needed in Helpline's efficiency in answering those calls.
- Allocate staff assignments based on workload figures (determined upon implementation of recommendation #2) to provide optimum coverage during Helpline hours, with concentration on periods with the heaviest volume. To accomplish this, the agency should consider both limiting the use of flextime and altering the lunchtime schedule. For example, the agency could assign operators, on a rotating basis, to work on the Helpline at set hours to ensure that there are an adequate number of operators (1) when the Helpline operator assistance feature opens at 8:30 a.m., and (2) to handle the remaining calls requesting operator assistance when the feature closes at 5:00 p.m.
- Continue to analyze, on an ongoing basis, operator efficiency in answering calls requesting operator assistance, and take steps to improve efficiency where feasible.
- When funding becomes available, conduct a survey of Helpline callers to ascertain the demand for making operator assistance available during evening hours (e.g., 5:00 p.m. to 8:00 p.m., or 7:00 p.m. to 10:00 p.m.) for those persons who work during the hours that the Helpline currently provides operator assistance. If the feedback is positive, ACS should consider conducting a pilot study to determine whether expanding operator assistance to evening hours materially reduces the number of abandoned calls.

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

Audit Follow-up

As of July 1, 2003, OCSE reports to the Human Resources Administration (HRA) not ACS.

HRA reported that two recommendations have been implemented and two recommendations are in process. For the remaining recommendation, OCSE agrees that operator assistance outside normal business hours may be beneficial; however, funding is not yet available.

OFFICE OF THE CITY CLERK

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

Audit # ME02-144A

Comptroller's Audit Library # 7455

Issued: May 5, 2003

Monetary Effect: None

Introduction

The City Clerk and Clerk of the Council (the City Clerk) is responsible for administering the Marriage Bureau in all five boroughs, keeping official records, and serving as clerk to the City Council and as the custodian of the City Seal. In Fiscal Year 2002, the City Clerk's Office throughout the five boroughs had revenues of \$3.6 million and expenses of \$2.7 million, thereby generating a total of \$0.9 million for the City.

This audit evaluated the cash controls and timekeeping practices of the New York City Clerk's Manhattan Office. This audit covered the period July 1, 2001, to December 31, 2002.

Results

The City Clerk's Office has adequate internal controls over its payroll and timekeeping functions and is in compliance with applicable rules of Comptroller's Directive #13, *Payroll Procedures*. In addition, the City Clerk's Office generally adheres to the guidelines for internal controls established by Comptroller's Directive #11, *Cash Accountability and Control*. However, the City Clerk's Office had several internal control weaknesses, including: inadequate controls over blank marriage certificates and licenses; lack of reconciliation of fees collected with fees deposited; inadequate safeguarding of mail requests and cash receipts; lack of segregation of duties in the Commissioner of Deed's unit; and improper maintenance of voided documents.

These weaknesses in the City Clerk's Office procedures resulted in 13 recommendations, some of which are listed below. The City Clerk's Office should:

- Develop and maintain an inventory system to track blank marriage certificates and licenses.
- Enter in the Marriage License System (MLS) system the pre-printed number on a marriage certificate or license whenever a form is issued.
- Train and instruct employees to properly enter all voided documents in the MLS.
- Issue a written procedure requiring that the Daily Cash Report be reconciled with the daily cash receipts before the cash is deposited in the bank. In addition, all discrepancies found during the reconciliation should have a written explanation and a supervisory signature next to the explanation.
- Issue a written procedure requiring a second signature on the cash deposit slip to verify that an independent count of the cash was performed.

- Issue a written procedure that requires mail requests and cash receipts to be secured in a locked drawer or safe at the end of the day.
- Deposit all money orders on the day that they have been received in the mail by the Record Room or, if necessary, no later than on the next business day.
- Train more than one employee to handle Commissioner of Deeds transactions.
- Require that all in-person cash payments by customers be made to the Cashier's unit, not to the Commissioner of Deeds unit.

The City Clerk's Office agreed with the audit's recommendations.

Audit Follow-up

The City Clerk's Office reported that it has implemented eight recommendations and is unable to implement one. The current Marriage License computer system does not allow the entering of the preprinted number on a marriage certificate or license. The City Clerk's Office is exploring the possibility of doing so in the future. The City Clerk's Office did not address four recommendations.

CITY UNIVERSITY OF NEW YORK (CUNY)

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

Audit # MD02-067A

Comptroller's Audit Library # 7434

Issued: February 10, 2003

Monetary Effect: None

Introduction

The College Discovery Program (CDP) is a special program for academically and economically disadvantaged students at the six community colleges of CUNY. It provides academic and financial support to students through remedial instruction, tutorial services, specialized counseling, and payment for book expenses.

This audit determined whether the six community colleges of the City University of New York (CUNY) administer the CDP on their campuses in accordance with university guidelines. The audit covered the 1999-2000 academic year.

Results

In general, the community colleges administer the CDPs on their campuses in accordance with CUNY guidelines. However, there is no comprehensive process to measure and report on the effectiveness of the college CDPs or the academic progress of their students. In addition, at the two sampled colleges—Hostos and LaGuardia Community Colleges—students do not fully use CDP counseling and tutoring services and counselors did not monitor student progress adequately.

The audit made 11 recommendations that include the following:

- CUNY should evaluate the CDPs at the individual colleges using uniform performance indicators, such as student retention rates and the academic progress of students who use program services, and should compare them to those of students (both CDP and non-CDP) who do not use program services.
- CDP counselors should contact students who do not come in for the required number of counseling sessions to determine why they do not come in and encourage them to do so.
- CDP officials at the CUNY level should consider standardizing individual college CDP counseling service requirements.
- CDP tutors should contact students who do not come in for tutoring services to determine why they do not come in and encourage them to do so.
- CDP officials should ensure that colleges track CDP student progress.
- CDP officials should consider standardizing the ways individual colleges track student progress.

CUNY officials responded to the audit recommendations stating that in general the CDPs practice what the recommendations call for; they did not address the exceptions in practice found during the audit.

Audit Follow-up

CUNY reported that although the CDPs generally practice what the recommendations call for, it is taking steps to implement applicable recommendations. However, CUNY disagrees with the three recommendations to "standardize" and mandate "uniform" objectives because the CDPs serve diverse student populations, and each of the six community colleges offer a wide range of academic programs, with each campus having a different academic profile.

STATEN ISLAND COMMUNITY BOARDS NO. 1, NO. 2, AND NO. 3

Audit Report on the Financial and Operating Practices of Staten Island Community Boards No. 1, No. 2, and No. 3

Audit # FP02-172A

Comptroller's Audit Library # 7425

Issued: November 13, 2002

Monetary Effect: None

Introduction

This audit determined whether Staten Island's three Community Boards (the Boards) complied with applicable payroll, timekeeping, purchasing, and inventory procedures, as set forth in the Mayor's Office Community Assistance Unit *Procedural Guidelines for Community Boards*, the Office of Payroll Administration's policies and procedures, the Procurement Policy Board (PPB) Rules, and the New York City Comptroller's *Internal Control and Accountability Directives* (Comptroller's Directives). The scope of this audit covered the period July 1, 2000, to June 30, 2001.

Results

The Boards generally adhered to City guidelines concerning their expenditures for Personal Services and Other Than Personal Services. However, there were instances in which the Boards did not comply with timekeeping, purchasing, and payroll procedures. With regard to timekeeping regulations, the audit found that leave authorization forms were not always submitted. Employees did not always sign in or out. There were discrepancies in certain time records; and some timesheets lacked evidence of supervisory review. In one case, an employee had taken an excessive amount of undocumented sick leave.

Regarding adherence to purchasing controls and procedures, the audit found that vouchers, purchase orders, and purchase requisition documents were not always stamped "vouchered," and they did not always indicate that the goods or services were actually received. Also, some purchases were charged to incorrect object codes. Furthermore, since November 1999, Community Board No. 3 (Board 3) has been paying one of its employees approximately \$85 per month for cleaning the Board's office—in addition to her regular wages. These payments were not included in the employee's total earnings as reported on her W-2 statement, and Board 3 did not pay FICA or withhold taxes on these amounts. Paying the employee for services other than her official duties may be a conflict of interest. Therefore, the auditors recommended that Board 3 contact the Conflict of Interest Board for a ruling on this matter. On May 22, 2002, the Board requested such a ruling. As of October 1, 2002, no ruling had been received.

To address these issues, the report contained eight recommendations including that the Boards ensure that:

- Employees submit authorized slips for all leave used.

- There is closer supervisory review of timekeeping records to ensure that entries in the time book and time sheets match.
- That all time sheets are authorized.
- Employees sign in and out each day.
- All purchase documents within a purchasing package are stamped “vouchered” when the vouchers are prepared
- Correct object codes are used for all purchases.

The Boards’ responses described steps that they have taken or will take to implement the report’s recommendations. The Staten Island Borough President stated that his office will ensure that the Boards follow City timekeeping procedures, and that it will provide technical assistance and advice to the Boards regarding procurement matters.

Audit Follow-up

The Boards reported that the audit’s recommendations have been implemented.

NEW YORK CITY COMPTROLLER'S OFFICE

Cost Allocation Plan Fiscal Year 2002

Report # FM03-134S

Comptroller's Audit Library # N/A

Issued: March 24, 2003

Monetary Effect: None

Introduction

The Cost Allocation Plan of the City of New York is used to identify and distribute allowable indirect costs of certain support services to City agencies. A portion of these costs may eventually be passed on to programs eligible for federal funding, and thus be reimbursed to the City.

The New York City Comptroller's Office review of its own costs resulted in a summary schedule that was sent to the Office of Management and Budget (OMB) for inclusion in the City's Cost Allocation Plan. The schedule indicated, by bureau, the percentage of staff time spent providing services to various City agencies during Fiscal Year 2002.

Results

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

DEPARTMENT OF CORRECTION (DOC)

Audit Report on Potential Savings from Civilianizing Positions in Non-Incarceration Units of the New York City Department of Correction

Audit # MG03-079A

Comptroller's Audit Library # 7460

Issued: May 21, 2003

Monetary Effect: Potential Savings: \$4.7 million

Introduction

This audit of the New York City Department of Correction (DOC) reviewed opportunities for savings from civilianizing positions in non-incarceration units at the department. DOC provides custody, control, and care of inmates sentenced to less than one year of incarceration, detainees awaiting trial or sentence, newly sentenced felons awaiting transportation to State correctional facilities, alleged parole violators awaiting revocation hearings, and State prisoners with court appearances in New York City. DOC has about 10,500 uniformed officers and about 1,600 civilian employees. The three uniformed titles are: Correction Officer, Captain, and Warden.

The DOC non-incarceration units perform general tasks, such as processing job applications, providing employee training, and maintaining vehicles and property, as well as tasks specific to correction services, such as transporting inmates to court appearances, classifying inmates for jail assignment, and handling inmate property.

This audit determined how many uniformed positions in DOC's non-incarceration units could be civilianized, and calculated the annual savings that could be achieved by civilianizing these positions.

Results

Based on a review of the 12 largest non-incarceration units in the Department of Correction, the audit concluded that 167 of the 1,235 uniformed positions in these units should be civilianized, for an annual savings of more than \$4.7 million. These savings could be achieved over a period of time. As uniformed personnel resign, retire, or otherwise leave the department, lower cost civilian personnel should be hired or transferred to these units to begin to assume some of the civilian-type functions currently being performed by uniformed officers.

The audit also found that DOC has not conducted a systematic or comprehensive civilianization review. Over the years, the DOC has identified certain uniformed positions for civilianization; however, these efforts have not been the result of a systematic or comprehensive review of civilianization opportunities in the department. The audit concluded that an ongoing effort to identify positions for civilianization would be a cost effective initiative.

The audit recommended that the Department of Correction review and civilianize the 167 positions identified in the audit. The audit also recommended that DOC conduct a comprehensive review of all of its non-incarceration units to identify additional civilianizable positions that would generate cost savings.

In its response, DOC stated that it largely agreed with the audit's findings and recommendations. Although DOC disagreed with the audit's inclusion of some temporary duty assignment and medically monitored officers in its findings and recommendations, DOC stated that the report was "fair and balanced" and that the auditors' efforts "have pointed to several fruitful areas where cost savings could indeed be achieved."

Audit Follow-up

DOC cites current challenges to its core operations, such as the City's fiscal crisis, as having temporarily diminished opportunities to proceed with an ambitious civilianization timetable. So far, DOC has received approval to hire five civilian Associate Investigators to replace uniformed personnel in the Applicant Investigations Unit. Consequently, five Correction Officer investigator positions will be eliminated in the third quarter of Fiscal Year 2004. After DOC completes its review of the 12 largest units, DOC will review the remaining non-incarceration units for the possibility of further civilianization.

DEPARTMENT OF CULTURAL AFFAIRS (DCA)

Audit Report on the Financial and Operating Practices of the American Museum of Natural History

Audit # MD03-065A

Comptroller's Audit Library # 7492

Issued: June 27, 2003

Monetary Effect: None

Introduction

The American Museum of Natural History (the Museum), created in 1869 as a not-for-profit organization, is one of the largest natural history museums in the world and consists of 23 interconnected buildings on the 18 acres of Theodore Roosevelt Park, on Central Park West in Manhattan. The Department of Cultural Affairs (DCA) provides funds to the Museum for such operating expenses as security, maintenance, and energy, and is responsible for overseeing the operations of the Museum to ensure compliance with the requirements outlined in its *Procedures Manual for New York City's Designated Cultural Institutions*.

This audit determined whether the Museum expended City funds in compliance with requirements set by DCA and with its own internal procedures, and has effective and adequate internal controls over its financial and operating processes. The audit's scope was Fiscal Year 2002.

Results

The Museum generally complied with DCA requirements, its own internal procedures, and its bylaws. In addition, the Museum had adequate internal controls over its financial and operational processes. However, the audit disclosed some instances of timekeeping errors, including: 16 instances, involving 12 employees, in which a total of 58 hours of leave and compensatory time was not properly recorded on the Museum Leave Balance Report, which resulted in incorrect leave balances; the daily sign-in and sign-out logs and biweekly time records did not always contain the required signatures; and forms for the use of vacation leave (annual or compensatory time) were not used in 52 (55%) of the 93 instances in which vacation leave was taken.

The audit made seven recommendations, the most significant of which were that the Museum should ensure that:

- The leave and compensatory time errors identified in this report are investigated and corrected.
- Supervisors from the Security and Safety and Maintenance Departments review and sign all daily sign-in and sign-out logs, in accordance with procedures.
- Each biweekly time record contains the required signatures for the employee, payroll clerk, and department head.
- Forms for the use of vacation leave are authorized and submitted for all employees.

Museum officials generally agreed with the audit's findings and recommendations. They stated that they have taken steps to investigate and correct the leave and compensatory errors identified in the audit, and plan to implement an automated time and attendance system that will eliminate the manual process from the timekeeping function.

Audit Follow-up

The Museum has reported that it has taken steps to implement the audit recommendations.

DEPARTMENT OF DESIGN AND CONSTRUCTION (DDC)

Audit Report on the Development and Implementation of the Standardized Change Order Record-Contract Overrun Request Entry System

Audit # 7A03-138

Comptroller's Audit Library # 7506

Issued: June 26, 2003

Monetary Effect: None

Introduction

The Department of Design and Construction (DDC) uses in-house resources and private consultants and contractors to perform 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. This audit assessed the development and implementation of the Standardized Change Order Record-Contract Overrun Request Entry (SCORE) computer system.

SCORE tracks the status of each change order and overrun request to identify causes of delays. SCORE was designed, developed, tested, and implemented by in-house employees. Audit fieldwork was conducted from February 2003 to May 2003.

Results

The audit found that SCORE meets the overall goals as stated in the functional requirements and allows for future enhancements and upgrades. DDC followed a formal system development methodology when developing SCORE. Since SCORE was designed, developed, tested, and implemented by in-house employees, DDC did not incur any procurement costs and therefore was not required to use or comply with the City Charter and Procurement Policy Board rules when developing the system. In addition, SCORE has been integrated into DDC's Disaster Recovery Plan.

However, respondents to the auditors' user satisfaction survey revealed that 50 percent have had problems entering information into the system; 79 percent stated that SCORE is not user-friendly; and 69 percent would like to see changes made to SCORE. Moreover, DDC has not surveyed SCORE users to determine whether the system is adequately performing its intended functions. Finally, access by infrequent or "inactive" users is not adequately controlled.

The audit recommended that DDC should:

- Meet with system users to assess their needs and ensure that their concerns are addressed.
- Conduct periodic user surveys to discover common or recurring problems requiring executive management's attention. Management should address these problems immediately.
- Determine why 23 user IDs have not been used to log onto SCORE since at least 2002. The accounts of inactive users that are not needed should be immediately terminated.
- Develop and implement a procedure to terminate inactive user accounts.

DDC officials stated that they agree with or are in compliance with the audit's recommendations.

Audit Follow-up

DDC officials stated that all of the audit's recommendations have been implemented.

BRONX COUNTY DISTRICT ATTORNEY'S OFFICE

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

Audit # FP03-082A

Comptroller's Audit Library # 7453

Issued: May 2, 2003

Monetary Effect: None

Introduction

This audit determined whether the Bronx County District Attorney's Office (DA's Office) complied with applicable payroll, timekeeping, purchasing, and inventory procedures, as set forth in the Office of Payroll Administration's policies and procedures, the Procurement Policy Board Rules, and the New York City Comptroller's *Internal Control and Accountability Directives*. The scope of this audit covered the period July 1, 2001, to June 30, 2002.

Results

The DA's Office generally adhered to all applicable payroll, timekeeping, purchasing, and inventory policies and procedures. The auditors' examination of the DA's Office Personal Services and Other Than Personal Services expenditures disclosed no instances in which moneys were improperly used.

However, the audit found that the DA's Office: did not charge one employee's leave balance for 12 hours not worked; permitted employees to carry compensatory time beyond the 120 day limit; and paid employees in excess of their *Career and Salary Plan* title salary ranges. Moreover, examination of a sample of payment vouchers disclosed that some of the purchase requisitions were either missing from the files or did not contain the required signature of a bureau chief.

The audit recommended that the DA's Office ensure that:

- Timekeeping transactions are carefully reviewed.
- Employees are required to use compensatory time within 120 days after it is earned.
- Employees obtain the appropriate authorization to carry over compensatory time if not used within 120 days.
- Employees whose salaries currently exceed their title limits be transferred into titles for which they qualify for and have salary ranges encompassing their current pay levels.
- A supervisory purchase review process be implemented that ensures that all necessary documents are on file and that the necessary approvals are obtained.

The DA's Office indicated that it generally agreed with the audit's recommendations and described specific steps that it has taken to address the exceptions noted in the report.

Audit Follow-up

The DA's Office reported that all of the audit's recommendations have been implemented.

DEPARTMENT OF EDUCATION (DOE)

Audit Report on the Development and Implementation of the Galaxy System by the Department of Education

Audit # 7A03-109

Comptroller's Audit Library # 7513

Issued: June 30, 2003

Monetary Effect: None

Introduction

This audit covered the development and implementation of the Galaxy system (Galaxy) by the Department of Education (DOE). Galaxy was conceived as an integrated school-based budgeting tool that would allow school planners to create budgets, update spending plans, and obtain access to data warehouses and other management assets needed to effectively budget resources. Audit fieldwork was conducted from November 2002 to April 2003.

Results

The Galaxy system met DOE's initial business and system requirements; the system design allowed for future enhancements and upgrades; and the Department generally complied with the City Charter and relevant Procurement Policy Board Rules when procuring services, equipment, and software for the system. Furthermore, Galaxy has been integrated into the Department's Disaster Recovery Plan. However, DOE did not hire a quality assurance consultant when Galaxy was being developed, and most users who responded to the auditors' user survey indicated that they are dissatisfied with the system. In addition, the Department has not surveyed Galaxy users to determine whether the system is adequately performing its intended functions. Moreover, the system has serious security issues that should be addressed.

The audit recommended that DOE:

- Engage an independent quality-assurance consultant to monitor and review development work and any system enhancements or subsequent work on Galaxy and any future system development projects.
- Immediately address all user concerns noted in this report.
- Conduct periodic user surveys to discover common or recurring problems requiring executive management's attention. Management should address these problems immediately.
- Develop written policies and procedures for terminating inactive user IDs. Also, the Department should review the status of the inactive users and terminate access as appropriate.
- Establish a procedure to record, document, and review any security violations that occur in the system.
- Immediately provide training to all Galaxy users, distribute training discs, and introduce all users to Galaxy's instructional Web site.

DOE generally agreed with the audit's findings and recommendations.

Audit Follow-up

DOE reported that it has implemented five of six recommendations.

DOE did not hire an independent quality assurance consultant because no major system development is needed on Galaxy at this time.

DEPARTMENT OF EDUCATION (DOE)

Audit Report on the Financial and Operating Practices of Community School District 5

Audit # FP03-090A

Comptroller's Audit Library # 7482

Issued: June 23, 2003

Monetary Effect: None

Introduction

This audit determined whether the Community School District 5 (District 5) complied with applicable Department of Education (DOE) procedures for purchasing, imprest fund expenditures, and timekeeping. The scope of this audit covered the period July 1, 2001, to June 30, 2002.

Results

District 5 generally complied with applicable DOE purchasing procedures and spent its funds on purchases that were reasonable and necessary for the operation of the District's schools and facilities. In addition: purchase orders were coded correctly; funds were properly encumbered before invoices were paid; invoices and supporting documentation generally supported Other Than Personal Services (OTPS) payments; District 5 employees signed payroll distribution sheets when picking up their paychecks; and all District 5 employees were bona fide. Finally, District 5 generally complied with the Department's Standard Operating Procedures Manual (SOPM) for Financial Management Centers in administering its imprest fund.

However, District 5: did not ensure that all purchase order packages contained proof of receipt of the goods or services purchased; processed purchase orders without the approval of either a school principal or an authorized District 5 official; paid for a weekend conference without providing justification for the expense; did not ensure that competitive bids were solicited for eight purchases totaling \$12,449; did not maintain invoices for 16 purchases totaling \$15,044; paid vendors from the imprest fund amounts that appear to exceed invoice amounts; did not adequately segregate the responsibilities for requisitioning items and approving payments to vendors; and did not maintain bid documents in its files for the contracts reviewed.

In addition, the audit noted that seven of the 15 schools reviewed did not maintain adequate controls over their textbook, software, and equipment inventories. Consequently, certain items purchased by District 5 on behalf of the schools could not be accounted for.

Finally, District 5 did not always follow the Chancellor's timekeeping regulations, such as: obtaining authorization forms from employees using vacation and sick leave; ensuring that employees signed in or out when arriving to and departing from work; identifying and correcting discrepancies in time records; ensuring that time cards were reviewed and approved by appropriate personnel; and maintaining complete timekeeping records for its employees.

To address these issues, the audit made 14 recommendations including that DOE officials should ensure that:

- All purchase order packages have the proof of receipt of goods or services purchased.
- All purchase documents are approved and dated.
- Competitive bids are obtained for purchases that exceed amounts prescribed in the SOPM.
- All expenditures are properly supported by purchasing documentation.
- The schools maintain complete and accurate inventory records for books and equipment.
- Attendance lists for all trips paid with District 5 funds are maintained.
- Complete and accurate time records for all employees are maintained.

The DOE agreed with the audit's recommendations and described specific steps that it has taken to address the exceptions noted in the report.

Audit Follow-up

The DOE did not provide follow-up information.

DEPARTMENT OF EDUCATION (DOE)

Audit Report on the Financial and Operating Practices of Community School District 15

Audit # FP03-091A

Comptroller's Audit Library # 7511

Issued: June 30, 2003

Monetary Effect: None

Introduction

This audit determined whether the Community School District 15 (District 15) complied with applicable Department of Education (DOE) procedures for purchasing, imprest fund expenditures, and timekeeping. The scope of this audit covered the period July 1, 2001, to June 30, 2002.

Results

District 15 generally complied with applicable DOE purchasing procedures and spent its funds on purchases that were reasonable and necessary for the operation of the District's schools and facilities. In addition: purchase orders were coded correctly; funds were properly encumbered before invoices were paid; invoices and supporting documentation generally supported Other Than Personal Services (OTPS) payments.

However, the audit disclosed that District 15 did not comply with certain provisions of the Standard Operating Procedures Manual (SOPM) and Chancellor's Regulations pertaining to purchasing and inventory management. Specifically, the District processed purchase orders without the approval of a District 15 official and it did not always maintain supporting documentation in its files describing the items purchased as well as documentation indicating whether the items were actually received. In addition, most schools visited did not maintain adequate controls over their textbooks, library books, and equipment inventories. Consequently, certain items purchased by District 15 on behalf of the schools could not be accounted for. In addition, certain supplies and equipment that were purchased by District 15 for the schools as far back as September 2001 were never used.

Moreover, District 15 did not always follow timekeeping requirements of the Chancellor's Regulations. Specifically, District 15 did not: obtain authorization forms from employees using vacation and sick leave; ensure that employees signed in or out when arriving to and departing from work; identify and correct discrepancies in time records; and ensure that time cards were reviewed and approved by appropriate personnel.

To address these issues, the audit made nine recommendations, including that DOE officials should ensure that:

- All purchase documents are approved, in accordance with the SOPM.
- All expenditures are supported by appropriate documentation, in accordance with the SOPM.
- A supervisory review process that ensures that all documents are on file is implemented.
- The schools maintain complete and accurate inventory records for books and equipment.
- Timekeeping transactions are carefully reviewed so that timekeeping errors are avoided.

The DOE generally agreed with the audit's recommendations and described specific steps that it has taken to address the exceptions noted in the report.

Audit Follow-up

The DOE did not provide follow-up information.

DEPARTMENT OF EDUCATION (DOE) FORMERLY KNOWN AS BOARD OF EDUCATION (BOE)

Audit Report on the Board of Education's Medicaid Billing Practices for Services Provided to Autistic Students

Audit # MD01-189A

Comptroller's Audit Library # 7456

Issued: May 7, 2003

Monetary Effect: Potential Revenue: \$5.6 Million

Introduction

This audit determined whether the Board of Education (the Board) properly billed Medicaid for Medicaid-eligible services provided to its autistic students. The period covered by the audit, Fiscal Year 2001, predated the 2002 change of the Board to the Department of Education, a mayoral agency.

The Board may obtain Medicaid reimbursement from the federal government for certain services provided to Medicaid-eligible students with disabilities. The Board's portion of these reimbursements is 25 percent.

Results

The Board billed Medicaid an estimated \$11.3 million for services provided to autistic students in Fiscal Year 2001. Problems in the Board's billing processes and errors and omissions in its computer system data caused the Board to both underbill and overbill Medicaid for those services. For Fiscal Year 2001, the audit estimated that the net result of these problems totaled an additional \$2.9 million for which the Board should have billed Medicaid; the Board would have been entitled to 25 percent of that amount, or \$735,258.

Based on findings regarding the autistic students, the audit estimated that the Board also did not receive potential additional annual revenue of \$19.5 million by not identifying other special education students who were Medicaid-eligible. The Board would have been entitled to 25 percent of that amount, or \$4.9 million.

Since the other audit findings were based on specific services that autistic students in the audit sample either did or did not receive, it was not possible to use the findings to estimate their potential costs when applied to the entire special education student population. However, the Board follows the same Medicaid billing procedures for all special education students, regardless of disability. Therefore, the billing problems identified for services to autistic students would also affect billing services for all special education students. If the Board were to review its records for all special education students, it would find a greater amount of lost revenue and revenue to which it is not entitled than the amounts reported in the audit. Similarly, recommendations made in the audit regarding the Medicaid billing practices for services to autistic students can also be applied to those for the rest of the special education population.

The report made 20 recommendations that include the following. The Board should:

- Review its Biological (BIO) File information for the 83 autistic students identified during the audit as Medicaid-eligible and bill Medicaid for reimbursable services provided to them.
- Review the criteria it uses in the matching process between the BIO File and the New York State Department of Health Medicaid Eligibility File. The Board should consider using social security numbers and student addresses as additional criteria in the matching process.
- Review the State remittance report each month and resubmit any valid claim for which payment was denied.
- Correct the CAP (Child Assistance Program, a computer system) information for the students cited in this report whose records in the CAP system were without service start dates and then bill Medicaid for these students.
- Ensure that all services have an accurate start and stop date entered into CAP.
- Correct the billing codes for the students cited in the report whose records of services were miscoded in CAP and then bill Medicaid for these students.
- Review the discrepancies for the students cited in this report whose service start dates in CAP did not reconcile with the service start dates on their attendance cards.
- Develop procedures to ensure information on student attendance cards is correctly entered in CAP.

Department of Education officials stated that they have already begun to implement or to partially implement the audit's recommendations.

Audit Follow-up

The Department of Education reported that it has implemented or is in the process of implementing 16 of the 20 recommendations. DOE's response to two recommendations—that it should "contact DOH to obtain the correct CINs for the students with two CINs" and "consult the Mayor's Office about how to standardize student addresses that appear in [DOE] and various City agency records"—indicates that these recommendations will not be implemented. Regarding the billing code error, DOE reported that "the error was corrected through a code change in the Medicaid billing program." In addition, for two recommendations—that DOE should "ensure that Medicaid is billed only for students who receive the same service at least twice during the month" and that "the [DOE] should ensure that IEPs are reviewed once a year,"—DOE indicated that this was already its practice.

BOARD OF ELECTIONS

Audit Report on the Small Procurement Practices of the Board of Elections

Audit # MD03-066A

Comptroller's Audit Library # 7472

Issued: June 12, 2003

Monetary Effect: None

Introduction

The Board of Elections (Board) administers elections and voter registration activities within the City of New York. During Fiscal Year 2001, the period covered by the audit, the Board encumbered funds for small procurements totaling \$705,958.

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

Results

The Board generally complied with applicable PPB Rules, Comptroller's directives, and its own formal procedures when processing small procurements. Most purchases were appropriately prepared, authorized, and supported by vendor invoices. In addition, there was no evidence of split purchasing in violation of § 3-08 of the PPB Rules.

However, during Fiscal Year 2001, there were problems with some of the Board's small procurement purchasing practices. Those practices have improved during Fiscal Year 2003, but to a lesser degree problems remained. To address these issues, the audit made 11 recommendations that included the following:

- The Board should ensure that bids are solicited in accordance with PPB rules.
- Board officials should ensure that they maintain all the required documents in the procurement files to support purchases and payments.
- Board and Office of Management and Budget (OMB) officials should find a workable solution to avoid late vendor payments.
- Board officials should ensure that the Board uses Miscellaneous Payment Vouchers according to the circumstances specified in Comptroller's Directive #25.

Board officials generally agreed with the audit's overall assessments and recommendations. In addition, OMB officials stated that they have increased funding to the Board for Fiscal Year 2004.

Audit Follow-up

The Board of Elections reported that all of the audit's recommendations have been implemented.

DEPARTMENT OF ENVIRONMENTAL PROTECTION (DEP)

Audit Report on Department of Environmental Protection Compliance with Procedures For Issuing Three-Day Notices

Audit # EW03-061A

Comptroller's Audit Library # 7459

Issued: May 12, 2003

Monetary Effect: None

Introduction

The Department of Environmental Protection (DEP) is responsible for operating the City's water supply system, which consists of mains that transport water to customers. Individual service lines, whose maintenance is the responsibility of each property owner, bring water from the mains into an owner's building. If personnel from DEP's Bureau of Water and Sewer Operations find that a water service line is leaking, a "three-day notice to repair" is issued to the owner. A three-day notice requires that a property owner hire, at the owner's expense, a licensed plumber to repair or replace the defective water line within three calendar days. If a property owner does not comply with the notice, DEP has the authority to shut off the water service to the property.

When complying with a three-day notice, a property owner's plumber must test the service line to confirm whether it is indeed leaking before repairing or replacing it. If testing reveals that the service line is not leaking, the property owner is entitled to file a property tort claim with the Comptroller's Office to recover the cost of hiring the plumber. Reimbursement to the property owner is limited to the cost of the testing work required to confirm whether the service line was leaking.

According to DEP officials, in Fiscal Year 2001, the period covered by the audit, DEP performed 10,300 leak investigations. DEP issued 3,218 three-day notices, 74 of which were issued in error.

Results

The audit found that the error rate in issuing three-day notices is small compared with the number of leak investigations performed by DEP. However, the audit noted the following issues, which if addressed, would further enhance the program.

- DEP has no written procedures for conducting leak investigations.
- The aquaphone, one instrument that DEP uses to sound (listen to) a building's service line, does not always produce accurate results.
- DEP should improve its communication with the public in order to minimize the number of unproductive repeat visits to gain access to properties and to prevent the public from incurring unnecessary expenses.

The audit recommended that the DEP should:

- Develop formal written procedures for conducting leak investigations.

- Provide appropriate training to DEP staff on the formal procedures.
- Consider implementing a pilot program to evaluate whether it is cost effective to provide supervisory personnel with more sophisticated equipment for identifying leaks.
- Revise its notification forms to inform property owners of the reason(s) DEP needs to gain access to the premises and of the actions it wishes the owner to take in response to the notice.
- Revise the three-day notices to inform property owners of the procedures for investigating and confirming leaks in service lines.
- Print “missed you” and three-day notices in multiple languages.

DEP agreed to implement five of the six recommendations. However, it disagreed with the audit’s recommendation to consider implementing a pilot program to evaluate the use of more sophisticated equipment for identifying leaks. DEP stated that it would survey other electronic equipment at the agency to determine whether it is functioning properly and can be used for difficult leak investigations.

Audit Follow-up

DEP reported that it has implemented or is in the process of implementing five recommendations. Although DEP did not report that it will provide training on the formal procedures, it stated that written procedures will outline the training received by personnel in the apprenticeship training program.

DEPARTMENT OF ENVIRONMENTAL PROTECTION (DEP)

Audit Report on the Oversight of the City Water Distribution System by the Department of Environmental Protection

Audit # MJ02-163A

Comptroller’s Audit Library # 7439

Issued: March 3, 2003

Monetary Effect: None

Introduction

The Department of Environmental Protection's (DEP) Bureau of Water and Sewer Operations is responsible for maintaining and protecting City drinking water. Water distribution maps contain the records and information upon which DEP water operations depend; they are critical to DEP’s effective oversight of the City water distribution system. Currently, the City’s water distribution maps are on two systems: the Geographic Data System (GDS) for all areas except Jamaica, Queens, and the Geographic Information System (GIS) for Jamaica. DEP is now seeking to enter the entire body of maps on the GIS system.

This audit determined whether DEP's Bureau of Water and Sewer Operations maintained up-to-date records for the City's water distribution system and implemented security measures in the water tunnel shafts. The audit covered the period March 1990 through October 2002.

Results

DEP generally maintained up-to-date records of the City's water distribution system. Also, DEP has implemented security measures in the water tunnel shafts. However, field cards for the Jamaica water distribution system are not updated promptly. As a result, DEP workers have to rely on the manual records more when performing work in that area than in other areas of the City.

A review of DEP's implementation of the computerized mapping system noted that the contract, slated to cost a maximum of \$6.3 million and to take five years, has been extended more than seven years beyond the additional completion date at an additional cost of \$3 million. However, documentation contained in the contract file verified that all changes were documented and approved by DEP officials, and that the additional work identified in the change orders was not included in the original contract terms.

The report made two recommendations, both of which are listed below:

- DEP should take steps to eliminate the backlog of field cards to be entered in the GIS system for the Jamaica, Queens, area.
- If the City Office of Management and Budget should approve the project to put the City's entire water system on GIS, the new agreement should include the provision that the vendor make any future new product or upgrade to the system available to DEP at a discounted rate.

In its response, DEP agreed to implement the report's recommendations.

Audit Follow-up

DEP reported that it has taken steps to implement the audit's recommendations.

DEPARTMENT OF FINANCE (DOF)

Audit Report on the Development and Implementation of the NYCServ Project, by the Department of Finance

Audit # 7A03-113

Comptroller's Audit Library # 7483

Issued: June 23, 2003

Monetary Effect: None

Introduction

This audit assessed the development and implementation of the NYCServ Project by the Department of Finance (DOF). The purpose of NYCServ was to consolidate customer services by providing one-stop facilities where the public can make payments and pursue adjudication hearings. DOF along with its prime contractor, the International Business Machines Corporation (IBM), agreed to "re-engineer and support the consolidation of the licensing, payment and adjudication operations of the departments of Finance, Consumer Affairs, Health, Environmental Protection, the Department of Sanitation, and the Environmental Control Board." Audit fieldwork was conducted from October 2002 through April 2003.

Results

The audit found that the NYCServ Project met DOF's initial business and system requirements; the system design allowed for future enhancements and upgrades; and DOF generally complied with the City Charter and relevant Procurement Policy Board rules. The developers followed a system development life cycle methodology, and DOF provided independent quality assurance test groups. However, the implementation of NYCServ has been delayed. Moreover, it could not be determined whether NYCServ will, as a finished product, meet the overall goals as stated in the system justification since certain applications have not been implemented. In addition, many of the system users who responded to the audit user-satisfaction survey stated that they were not satisfied with the Payments and Scofftow applications. Finally, contrary to Comptroller's Directive 18, DOF has no disaster recovery plan for NYCServ.

The audit recommended that DOF:

- Ensure that the remaining applications are completed, tested, and implemented. For future system development projects, DOF should ensure that: users review and approve all system design specifications; sufficient testing is performed; and provisions are made to obtain source code for any software critical to the development.
- Ensure that all user concerns are addressed.
- Develop and implement a disaster recovery plan for NYCServ in accordance with Directive 18.

In its response, DOF described the steps it has taken to improve the quality of its technology development projects. In addition, DOF stated that it would implement a disaster recovery plan for the system by March 2004.

Audit Follow-up

DOF reported that the recommendations are being implemented.

DEPARTMENT OF FINANCE (DOF)

Audit Report on User Access Controls at the Department of Finance

Audit # 7A03-133

Comptroller's Audit Library # 7507

Issued: June 26, 2003

Monetary Effect: None

Introduction

This audit assessed the user access controls at the Department of Finance (DOF). The Department of Information Technology and Telecommunications (DoITT) manages DOF's system software and hardware and provides software-based controls that help DOF control access to computer systems and to specific data or functions within the systems. Audit fieldwork was conducted from January 2003 to April 2003.

Results

DOF has adequate controls to protect both its mainframe and network environments. DOF and DoITT have a number of procedures to control data, files, and applications, but several security matters should be addressed. Specifically, for the mainframe environment, DOF's information protection policies and procedures are not consolidated in one formal document, and some of DOF's policies were last updated as far back as 1989. Further, there are no formal procedures in place for identifying and eliminating user IDs for inactive users and individuals who leave City service. Also, DOF does not perform timely reviews and updates of employee system privileges.

At the network level, DOF has no formal information protection policies and procedures and the system does not encrypt credit card information received from the public. Furthermore, DOF has no agency virus response plan, and network applications do not automatically suspend inactive user accounts.

The audit recommended that DOF:

- Update its information protection policies and procedures, in accordance with Comptroller's Directive 18. DOF should ensure that these policies and procedures include the network environment.
- Develop procedures for identifying and eliminating user IDs for inactive users and individuals who leave City service. Immediately review the current list of users and make the appropriate adjustments.

- Perform timely reviews and updates of employee system privileges.
- Ensure that all credit card information on the system is encrypted.
- Immediately develop and implement a formal virus response plan, in accordance with Comptroller's Directive 18.
- Modify the network security software to automatically suspend user accounts if they are not used for a specified period of time.

DOF stated that it will implement all six recommendations.

Audit Follow-up

DOF reported that it is in the process of implementing the audit recommendations.

DEPARTMENT OF FINANCE (DOF)

Audit of the Travel Expenses of the Department of Finance

Audit # MD03-100A

Comptroller's Audit Library # 7447

Issued: April 4, 2003

Monetary Effect: none

Introduction

This audit evaluated the adequacy of Department of Finance (DOF) internal controls over its travel expenses and determined whether DOF travel expenses were in compliance with Comptroller's Directive #6 and the Mayor's Office of Citywide Services Out-of-City Travel Guidelines. The audit also determined whether DOF travel expenses were necessary, reasonable, and for authorized individuals. The scope of the audit was Fiscal Year 2002.

The Department of Finance (DOF) administers and enforces City business, property, and excise tax laws. DOF collects these taxes, as well as parking ticket fines, penalties, judgments, and other such charges. DOF travel expenses for Fiscal Year 2002 totaled \$318,078. The major part of these travel expenses was for the DOF Audit and Enforcement Unit (Audit Unit), which audits companies within and outside the City that pay New York City taxes. The Audit Unit also uses its travel budget to send personnel to out-of-town conferences and seminars (non-audit trips).

Results

DOF has adequate internal controls over its travel expenses. Travel expenses were processed in accordance with DOF travel procedures as well as with the written procedures of the Mayor's Office of Citywide Services and Comptroller's Directive #6. In addition, all of the sampled expenditures were found to be necessary, reasonable, documented, and for authorized individuals.

The report made no recommendations. Therefore, DOF officials did not issue a formal written response to the report.

FINANCIAL INFORMATION SERVICES AGENCY (FISA)

Audit Report on the User Access Controls of the Financial Management System at the Financial Information Services Agency

Audit # 7A03-137

Comptroller's Audit Library # 7485

Issued: June 23, 2003

Monetary Effect: None

Introduction

The Comptroller's Office performed an audit on the User Access Controls of the Financial Management System (FMS) at the Financial Information Services Agency (FISA). FMS, which was implemented in June 1999, is the City's centralized accounting and budgeting system, supported by FISA from its mainframe computers. FISA permits personnel access to FMS based on approval by each respective agency. Audit fieldwork was conducted between February 2003 and April 2003.

Results

FISA has adequate controls in place to protect FMS records from unauthorized access. Specifically, FISA: established formal security procedures and included them in its *Agency FMS Administration Policies & Procedures* statement; maintains electronic and manual hard-copy records for special FMS access requests; requires that agencies designate a FMS security officer and a backup FMS security officer who are familiar with the agency's mission and how it relates to FMS; requires adequate separation of duties over user access to different components of FMS; provides protection against unauthorized access by automatically revoking access to FMS when user identification (ID) codes are used with invalid passwords; and revokes ID codes of users not properly accessing FMS for a 30-day period.

However, although FISA maintains electronic and manual hard-copy records for special FMS access requests and the corresponding approvals or rejections, FISA does not maintain a central log of those requests. In addition, FISA does not provide periodic training to FMS security officers.

The audit recommended that FISA:

- Establish a log to record all requests from agencies for special FMS access rights.
- Provide periodic training to FMS security officers.

FISA agreed with the audit's findings and recommendations.

Audit Follow-up

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

FIRE DEPARTMENT (FDNY)

Audit Report on the Internal Controls of the Fire Department over Billing and Collection of Inspection Fees

Audit # MH03-060A

Comptroller's Audit Library # 7478

Issued: June 18, 2003

Monetary Effect: None

Introduction

Within the Fire Department (FDNY), the Bureau of Fire Prevention (BFP) promotes public safety in New York City through inspections, certifications, testing, customer service, and plan review. Nine BFP District Offices in the five boroughs and nine BFP units at FDNY Headquarters in Brooklyn are responsible for performing inspections and issuing permits.

This audit determined whether FDNY has adequate controls over the billing and collection of BFP inspection fees and whether it charges the correct fees. The period covered by the audit was Fiscal Year 2002. During that period, FDNY billed \$35.6 million in inspection fees and collected \$34.6 million in inspection fees for that year and prior years.

Results

FDNY has adequate controls over the billing and collection of BFP inspection fees and collected more than 90 percent of the fees billed. In addition, FDNY charged the correct fees.

However, the audit determined that FDNY has not changed its fee schedule in more than a decade. In addition, FDNY has a number of internal control weaknesses that could affect its billing and collection practices, including: limited capabilities of its computer system (FPIMS) in handling accounts with outstanding balances; lack of control over its manual bills and lien processes; lack of a write-off policy for uncollectible debts; and inadequate segregation of duties related to FPIMS programmers.

To address these issues, the audit made 12 recommendations. The major recommendations were that FDNY should:

- Conduct a study to determine whether the fee schedule needs to be changed.
- Modify FPIMS to correct the problems in the billing and collection processes for accounts with outstanding balances.
- Continue to convert from manual to automatic billing.
- Monitor the lien process to ensure that liens are established with the Department of Finance for past due accounts.

FDNY agreed with all the recommendations. However, they stated that there may be delays in the implementation of four FPIMS-related recommendations due to reduced staffing levels and the nature of FPIMS.

Audit Follow-up

FDNY reported that it has implemented or is in the process of implementing nine recommendations.

FDNY, however, stated that because of personnel issues it has been delayed in implementing three recommendations concerning liens on past due accounts and improving segregation of duties for FPIMS data security.

DEPARTMENT OF HEALTH AND MENTAL HYGIENE (DOHMH) FORMERLY KNOWN AS DEPARTMENT OF HEALTH (DOH)

Audit Report on the Development and Implementation of the West Nile Virus Integrated Data Management System by the Department of Health

Audit # 7A03-072

Comptroller's Audit Library # 7442

Issued: April 2, 2003

Monetary Effect: None

Introduction

This audit assessed the development and implementation of the Department of Health and Mental Hygiene's (DOHMH) West Nile Virus Integrated Data Management System. The system supports DOHMH's programs responsible for the surveillance and control of the West Nile virus and is the first component of a two-phase comprehensive disease control management system, that will support other environmental-disease-related surveillance activities. Audit fieldwork was conducted from August 2002 to November 2002.

Results

The West Nile Data System allows for future enhancements and upgrades; and DOHMH satisfactorily complied with Procurement Policy Board procurement regulations. However, despite DOHMH's following a system development methodology and using a quality assurance procedure during the development of West Nile Data System, the audit found that: six of the 58 initial business and system requirements were not met; one module is now being developed as part of another system; and eight of the 10 users who responded to the auditors' user satisfaction survey stated that they would like to see changes made to the system.

The audit recommended that DOHMH:

- Ensure that all remaining initial requirements are completed at no more than the allotted cost.
- Meet with system users to assess their needs and to ensure that their concerns are addressed.

DOHMH agreed with both of the recommendations stating that the remaining requirements are either being met in other ways or are in the process of being delivered.

Audit Follow-up

DOHMH reported that the audit's recommendations have been implemented.

DEPARTMENT OF HEALTH AND MENTAL HYGIENE (DOHMH) FORMERLY KNOWN AS DEPARTMENT OF HEALTH (DOH)

Audit Report on the Development and Implementation of the Electronic Death Registration System by the Department of Health and Mental Hygiene

Audit # 7A03-073

Comptroller's Audit Library # 7481

Issued: June 23, 2003

Monetary Effect: None

Introduction

The Comptroller's Office performed an audit on the development and implementation of the Department of Health and Mental Hygiene's (DOHMH) Electronic Death Registration System. The system was designed to use Internet technology to enable a completely automated death registration and certification process, with the capabilities of printing death certificates and permits for burial, cremation, and transportation of human remains. Audit fieldwork was conducted from August 2002 through December 2002.

Results

The Electronic Death Registration System (EDRS) does not exist as a functioning system; therefore, it could not be determined whether: EDRS met the initial business and systems requirements; the system design allowed for future enhancements and upgrades; EDRS, as a finished product, would meet its overall goals as stated in the system justification.

In addition, the audit disclosed that the method used to procure services for this system from IBM was inappropriate for a project of this magnitude and contributed to the failure to develop EDRS despite the payment of more than \$3.2 million to IBM. Moreover, in its attempt to develop EDRS, DOHMH did not employ a formal systems development methodology or an independent quality assurance consultant, as specified in Comptroller's Directive 18. The lack of a formal systems development methodology combined with the absence of independent oversight contributed to the apparent failure of this project.

Finally, even though DOHMH officials stated that EDRS did not exist as a functioning system, the information presented to the public in the Mayor's Management Report (MMR) from 1999 through 2001 gave the impression that the development of the system was progressing and that DOHMH was ready for "full implementation of the system" as early as December 1999.

The audit recommended that DOHMH:

- Ensure that it follows all applicable Procurement Policy Board (PPB) Rules in its procurements. In that regard, all large systems development projects should be awarded by competitive sealed proposals and result in formal contracts that are registered with the Comptroller's Office. Such contracts should contain specific deliverables with due dates and related costs, as well as penalties for nonperformance.
- Comply with all applicable provisions of Comptroller's Directive 18 when developing systems. In that regard, DOHMH should: employ a formal systems development methodology; engage

an independent quality-assurance consultant; ensure executive management support and sponsorship, and that an experienced project manager is in place to oversee and coordinate the development process.

- Ensure that it provides accurate information to the Mayor's Office of Operations for inclusion in the MMR.

DOHMH partially agreed with the audit's findings and recommendations, acknowledging problems in the implementation of EDRS, but asserting that some audit comments were overstated.

Audit Follow-up

DOHMH reported that it has implemented the first two recommendations but does not consider the third recommendation applicable because the MMR does not require reporting on EDRS.

DEPARTMENT OF HEALTH AND MENTAL HYGIENE (DOHMH) FORMERLY KNOWN AS DEPARTMENT OF HEALTH (DOH)

Audit Report on the Development and Implementation of the Disease-Tracking System, PRIME, by the Department of Health and Mental Hygiene

Audit # 7A03-076

Comptroller's Audit Library # 7479

Issued: June 23, 2003

Monetary Effect: None

Introduction

The Comptroller's Office performed an audit on the development and implementation of the Department of Health and Mental Hygiene's (DOHMH) Person Registry Information Management Environment system (PRIME). The system's primary purpose was to automate the collection, tracking, and analysis of disease reports in New York City by centralizing data from a large number of sources, such as private providers, hospitals, and laboratories, and by integrating several disease-tracking subsystems into one system. Audit fieldwork was conducted from August 2002 to December 2002.

Results

The development of PRIME was terminated in early 2002, before it was implemented. Therefore, it could not be determined whether the system design allowed for future enhancements and updates and whether PRIME, as a finished product, would meet its overall goals as stated in the system justification. However, because PRIME was technically obsolete before it could be fully completed, it did not meet its initial business and system requirements.

In addition, the audit disclosed that the method used to procure services for this system from two vendors was inappropriate for a project of this magnitude and contributed to the failure to develop PRIME despite the payment of more than \$6.3 million to the two vendors. Moreover, in its attempt to develop PRIME, DOHMH did not employ a formal systems development methodology or an independent quality assurance consultant, as specified in Comptroller's Directive 18. The lack of a formal systems development methodology combined with the absence of independent oversight contributed to the apparent failure of this project.

The audit recommended that DOHMH:

- Ensure that it follows all applicable Procurement Policy Board Rules in its procurements. All large systems development projects should be awarded by competitive sealed proposals and result in a formal contract that is registered with the Comptroller's Office. Such contracts should contain specific deliverables with due dates and related costs as well as penalties for nonperformance.
- Comply with all applicable provisions of Comptroller's Directive 18 when developing systems. DOHMH should: employ a formal systems development methodology; engage an independent quality assurance consultant; and ensure that executive management support and sponsorship and an experienced project manager are in place to oversee and coordinate the development process.

DOHMH acknowledged that there were problems in the implementation of PRIME, but asserted that the method used to procure services for developing the system was appropriate.

Audit Follow-up

DOHMH reported that the audit's recommendations have been implemented.

DEPARTMENT OF HEALTH AND MENTAL HYGIENE (DOHMH) FORMERLY KNOWN AS DEPARTMENT OF HEALTH (DOH)**Audit Report on the Development and Implementation of the Enhanced Syndromic Surveillance Data Capture System**

Audit # 7A03-077

Comptroller's Audit Library # 7466

Issued: May 29, 2003

Monetary Effect: None

Introduction

The events of September 11, 2001, and the intentional transmission of anthrax through the postal service compelled the Department of Health and Mental Hygiene (DOHMH) to enhance its electronic Syndromic Surveillance Data Capture System (SSDCS), which was developed in 1998. The system's primary purpose was to collect data from a variety of sources for monitoring trends in non-specific symptoms of illness and enable DOHMH to detect disease outbreaks as quickly as possible.

The audit determined whether the enhanced SSDCS meets the initial business and system requirements; is designed to allow for future enhancements and upgrades; as a finished product, will meet overall goals as stated in the system justification; and was procured in compliance with City Charter provisions and Procurement Policy Board (PPB) Rules. Audit fieldwork was conducted from September 2002 to January 2003.

Results

SSDCS meets the overall goals as stated in the system justification. As developed, the enhanced SSDCS allows for future enhancements and upgrades through its capacity to receive and process data files from up to 50 different sources. In addition, DOHMH complied with the City Charter and PPB Rules when it contracted with a vendor to develop and upgrade the system.

Furthermore, the auditors' user satisfaction survey of the system's seven primary users found that two users were very happy with the system and the remaining five users were somewhat happy with the system. However, data from emergency rooms are still being transmitted through non-secure e-mails; testing certificates confirming that system errors were corrected were not provided; and an independent quality assurance consultant was not hired.

The audit made four recommendations, namely that DOHMH:

- Ensure that all data are transmitted through secure methods.
- Obtain all acceptance certificates from the vendor.
- Meet with system users to assess their needs and to ensure that their concerns are addressed.
- Engage a quality assurance consultant to assist in monitoring and reviewing the development work and any system enhancements or subsequent work on SSDCS, as well as on any future systems development project.

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

Audit Follow-up

DOHMH reported that three recommendations have been implemented and the remaining recommendation will be implemented for future projects; however, the use of an independent quality assurance consultant is not warranted at this time.

DEPARTMENT OF HEALTH AND MENTAL HYGIENE (DOHMH) FORMERLY KNOWN AS DEPARTMENT OF HEALTH (DOH)

Audit Report on the Enhanced Pest Control Program of the Department of Health

Audit # ME02-059A

Comptroller's Audit Library # 7493

Issued: June 27, 2003

Monetary Effect: None

Introduction

The Department of Health (DOH), now part of the Department of Health and Mental Hygiene (DOHMH), enforces compliance with the City Health Code and provides a range of public health programs and services to promote the health and quality of life of City residents. The Office of Pest Control Services (PCS) enforces the Health Code regulations pertaining to rodent infestation.

This audit determined whether DOHMH's implementation of the Enhanced Pest Control Program improved the effectiveness of the agency's overall pest control efforts. The period covered by this audit was Fiscal Year 2001.

Results

In some areas, PCS has improved the effectiveness of its pest control efforts through the Enhanced Program. PCS is doing a better job at targeting problem areas under the Enhanced Program than it did under the program's predecessor, the Comprehensive Program. However, the audit found weaknesses in PCS's administration of the Enhanced Program and with its follow-up and remediation efforts for properties where pest control violations were identified. PCS regional offices do not consistently comply with the informal procedures of the program, inhibiting the agency's ability to monitor the program's overall effectiveness and identify areas for improvement. In addition, PCS consistently fell short of meeting the timeliness goals for performing pest control activities. These weaknesses, if not corrected, will significantly hinder the overall effectiveness of DOHMH in its pest control efforts.

The report made four recommendations. DOHMH should:

- Ensure that PCS offices comply with the procedures stated in the Geographic Protocol to better enable the agency to monitor the Enhanced Program and track its overall effectiveness.

- Ensure that senior sanitarians cluster properties related to specific assessments in the PCS database so that staff can use the database to check the status of assessments.
- Take steps to ensure that the PCS regional offices perform all required pest control work in a timely manner and properly maintain records of the work that is performed in accordance with written procedures.
- Ensure that supervisors thoroughly review inspection reports and verify that inspectors recommend remediation efforts (e.g., extermination and cleanup) for properties that fail inspection and meet the criteria for remediation.

In its response, DOHMH generally disagreed with the audit's findings but agreed with the audit's recommendations.

Audit Follow-up

DOHMH reported that the recommendations have been implemented.

HEALTH AND HOSPITALS CORPORATION (HHC)

Follow-up Audit Report on the Collection Practices and Procedures of the Health and Hospitals Corporation Related to Medicaid Managed Care/Health Maintenance Organizations

Audit # MD02-152F

Comptroller's Audit Library # 7476

Issued: June 17, 2003

Monetary Effect: None

Introduction

This follow-up audit determined whether the New York City Health and Hospitals Corporation (HHC) implemented the recommendations made in an earlier audit, *Audit of the Health and Hospitals Corporation's Collection Practices and Procedures Related to Medicaid Managed Care(MMC)/Health Maintenance Organizations (HMOs)*, issued October 6, 1997 (Audit No. ME96-081A). The earlier audit determined the extent to which HHC collects payments from HMOs for services provided by HHC to MMC patients. This follow-up report discussed the details of the recommendations of the previous audit report and the status of each recommendation; it covered calendar year 2001.

The earlier audit discovered problems in HHC's billing and collection system. Among them were that:

- HHC did not have contracts with most managed care organizations.
- HMOs did not pay HHC for legitimate services provided by HHC to MMC patients.
- HHC never billed the HMOs for 85 (16.5%) of the sampled 514 services.
- HHC lacked detailed procedures on how hospital staff should bill and re-bill for HMO services. In addition, the staff needed training on how to access basic billing and collection information on the HHC computer system.

Results

This follow-up audit found that HHC has improved its billing and collection procedures. Also, HHC's increasing use of electronic submission of claims data should further expedite the submission, review and payment process. However, HHC still needs to improve its posting of initial payments into the computer system and the timeliness of its initial billings to HMOs. Also, HHC patient account directors and managers should monitor outstanding accounts and ensure that hospital care investigators promptly follow up to ensure payment from managed care plans.

Of the 22 recommendations the previous audit made to HHC, 11 were implemented, three were partially implemented, one was not implemented, and seven are no longer applicable.

To address the issues that still exist, we made the following recommendations, somewhat revised according to the findings of this report.

- Develop procedures to ensure that outpatient bills are mailed and arrive at their destinations.

- Develop formal collection procedures for inpatient accounts like those for outpatient accounts, as described in the HHC *Third Party Policy-Ambulatory Care* Manual. Ensure that hospitals adhere to these procedures.
- Consider using private collection agencies to pursue collection efforts for amounts owed to HHC by HMOs.
- Require, prior to transferring services to “bad debt,” that hospitals review all relevant billing records to ensure that all required collection efforts were initiated.

HHC agreed to take the necessary steps to implement the recommendations and stated that their electronic submission of claims should continue to enhance their payment and review process with HMO companies.

Audit Follow-up

HHC reported that these recommendations are being implemented.

HEALTH AND HOSPITALS CORPORATION (HHC)

Audit Report on the Inventory Controls of the Kings County Hospital Center, New York City Health and Hospitals Corporation, over Noncontrolled Drugs and Medical and Surgical Supplies

Audit # MG03-059A

Comptroller's Audit Library # 7505

Issued: June 30, 2003

Monetary Effect: Actual Savings: \$151,302

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 noncontrolled drugs and medical and surgical supplies at HHC's Kings County Hospital Center (Kings County Hospital) for Fiscal Year 2003. At Kings County Hospital, the total cost of drugs (controlled and noncontrolled) purchased by the Pharmacy Department during Fiscal Year 2002 was approximately \$13 million. The total for medical and surgical supplies purchased for Materials Management was about \$6 million. The value of the inventory of all drugs in the Pharmacy Department stockroom at the end of Fiscal Year 2002 was \$538,776, and the value of the medical and surgical supplies in the Materials Management stockrooms was \$1,103,300.

Results

Kings County Hospital has inadequate controls over its inventory of noncontrolled drugs and medical and surgical supplies. The review of its inventory practices disclosed significant weaknesses in its issuing, recording, security, and maintenance of both inventories.

The inventory count of sampled noncontrolled drugs revealed a gross discrepancy of 71 percent between the amounts on hand and the amounts recorded in OTPS; the inventory count of sampled medical and surgical supplies revealed a gross discrepancy of 91 percent. Furthermore, approximately four months prior to our inventory count, Kings County Hospital officials had adjusted its Fiscal Year 2002 year-end inventory count of noncontrolled drugs and medical and surgical supplies by \$6.1 million and \$2.5 million, respectively, without investigating the cause of the discrepancies.

The audit found that there was unrestricted access to the Pharmacy stockroom and that noncontrolled drugs were issued from the stockroom without proper authorization. In addition, there were inadequate controls over expired drugs, as well as inadequate tracking of the related checks and credits that can be received for returnable expired drugs. It appeared that credits received by the Pharmacy Department were never forwarded to the hospital Accounts Payable Department to be applied against vendor payment. Once this was brought to the attention of hospital officials, the Pharmacy Department submitted a number of credit memos, totaling \$151,302, to the Accounts Payable Department to be applied against future purchases.

In addition, Materials Management took up to two months to record in OTPS issuances of medical and surgical supplies from the stockroom. Besides the delay in entering information, there were many discrepancies between the data in the OTPS system and in the Scan Module system—the computer system used to determine the medical and surgical supplies needed in the supply rooms in the patient units.

The audit made 20 recommendations, some of which are listed below. Kings County Hospital officials should:

- Require periodic physical counts of the Pharmacy and Materials Management inventory to verify the accuracy of the inventory records, and investigate all variances to determine their cause.
- Ensure that appropriate adjustments are made to the OTPS system to accurately reflect the inventory of noncontrolled drugs and of medical and surgical supplies. Officials should review, approve, and document all adjustments.
- Ensure that a written authorized requisition is obtained for all noncontrolled drugs issued from the Pharmacy stockroom.
- Restrict access to the Pharmacy stockroom to authorized stockroom personnel.
- Adequately safeguard expired drugs before they are removed from the hospital.
- Ensure that all checks and credits for returnable drugs are received by the hospital and, if applicable, applied to vendor payments.
- Ensure that all issues from the Materials Management stockroom are immediately entered in the OTPS inventory system.

- Ensure that the Scan Module system has up-to-date catalog numbers for medical and surgical supplies and that those numbers are identical to the catalog numbers in OTPS.

In their written response to the report, HHC officials agreed with and said they will implement all 20 recommendations.

Audit Follow-up

HHC reported that 16 recommendations have been implemented and that the remaining four recommendations are in the process of being implemented.

HEALTH AND HOSPITALS CORPORATION (HHC)

Audit Report on the Controls over Personnel, Payroll, and Timekeeping at Coney Island Hospital

Audit # MG03-142A

Comptroller's Audit Library # 7512

Issued: June 30, 2003

Monetary Effect: None

Introduction

The Health and Hospitals Corporation (HHC) provides New York City residents with comprehensive medical and mental health services as well as treatment for substance abuse. Coney Island Hospital is part of the HHC Southern Brooklyn and Staten Island Health Network and has both medical and non-medical employees who are required to follow HHC Operating Procedures and the time and leave regulations.

The primary objectives of this audit were to review the internal controls of Coney Island Hospital over personnel, payroll, and timekeeping for its active, non-medical, full-time, administrative staff and to determine whether the hospital is in compliance with HHC policies and procedures and other applicable regulations. The period covered by this audit was Fiscal Year 2003.

Results

The audit found that Request for Leave forms were present and approved for all annual and sick leave taken. All leave use was appropriately deducted from the employees' leave balances, and the employees were accruing the correct amount of annual and sick leave specified in the leave regulations. Payroll taxes were calculated accurately, and deductions were correctly applied. In addition, personnel folders were in good condition, clearly labeled, and filed in alphabetical order.

However, some of the personnel folders were incomplete or contained inaccurate information. In addition, there were weaknesses in the controls over timesheets and paycheck distribution; some employees were being paid above the maximum salary for their titles; and, timekeeping documents were incomplete.

The audit made nine recommendations, including a recommendation that HHC update the HHC Corporate Plan of Titles to reflect the current salary ranges. Some other recommendations were that Coney Island Hospital should:

- Conduct periodic reviews of personnel folders to ensure that all documents required by HHC and Coney Island Hospital are present in the appropriate personnel folders.
- Ensure that records for updated annual physicals; mandated in-training service; and performance evaluations are completed and included in the personnel folders.
- Ensure that written justification is submitted when requests for merit increases are made.
- Require that, in addition to the timekeepers signing for the payroll checks, each employee should sign for his or her own paycheck.
- Ensure that undistributed checks are returned to the Payroll Department at the end of the payday.

HHC officials agreed with six of the nine recommendations and disagreed with the recommendations to update the Corporate Plan of Titles to reflect current salary ranges and to ensure that all documents required by HHC and Coney Island Hospital are present in the appropriate personnel folders. They also disagreed with the recommendation to require employees to sign for their paychecks.

Audit Follow-up

HHC reported that the six recommendations that it agreed with have been implemented.

DEPARTMENT OF HOMELESS SERVICES (DHS)

Audit Report on the Controls of the Department of Homeless Services over Its Computer Equipment

Audit # FL03-131A

Comptroller's Audit Library # 7510

Issued: June 30, 2003

Monetary Effect: None

Introduction

The audit determined whether the Department of Homeless Services (DHS) maintains complete and accurate records for its computer equipment, and whether this equipment is safeguarded from theft, damage, or unauthorized use. The audit covered the period July 1, 1999, through June 30, 2002.

Results

DHS has widespread problems with its computer inventory system. It has no written policies and procedures for recording, reporting, and safeguarding its computer inventory. New computer equipment items, such as network equipment, monitors, printers, and laptops, were stored in hallways and in other unsecured areas of the agency. As a result of poor DHS inventory control practices, \$1,841,008 in computer equipment purchased during the audit period was not listed on DHS inventory records, of which approximately \$1,640,180 in computer equipment could not be accounted for during the audit.

The report made three recommendations, specifically that DHS:

- Create an inventory project team, reporting to the Commissioner, whose ultimate goal would be to develop computer inventory policies and procedures and to ensure that the inventory control system is: (1) accurate (all computer equipment is accounted for); (2) timely (records are adjusted to immediately reflect receipts, transfers, and relinquishments); and (3) encompassing (the system tracks all items received).
- Ensure that all computer equipment is properly safeguarded. In that regard, all uninstalled items of computer equipment should be secured in locked rooms.
- Refer all significant unresolved discrepancies to the Department of Investigation (DOI) for further investigation.

In their response, DHS officials concurred with some of the audit's findings and recommendations, but stated that other audit findings and recommendations were based on a misunderstanding of DHS inventory process.

Audit Follow-up

DHS reported that although it generally practices what the recommendations call for, it is taking steps to implement specific, applicable recommendations.

DEPARTMENT OF HOMELESS SERVICES (DHS)

Audit on the Compliance of Wayside MacDonough Family Residence with its Contract with the Department of Homeless Services

Audit # FP02-175A

Comptroller's Audit Library # 7423

Issued: September 26, 2002

Monetary Effect: None

Introduction

On March 28, 1994, the Department of Homeless Services (DHS) entered into a contract with the Wayside Baptist Church (Wayside) to operate the Wayside MacDonough Family Residence (Residence) as transitional housing for displaced and homeless families referred by the DHS Emergency Assistance Unit. The contract, which totaled \$2,718,480, ran from May 1, 1994, through April 30, 1999, and contained a four-year renewal option. The contract was amended in March 1999 so that its expiration date became June 30, 1999. DHS renewed the contract for the period July 1, 1999, to June 30, 2003, with a total amount of \$1,911,820. For the audit period—July 1, 2000, through June 30, 2001—Wayside received \$458,491 from DHS to operate the facility and to provide services.

This audit determined whether Wayside complied with its contract with DHS. Specifically, the audit determined whether Wayside provided adequate, safe, and sanitary conditions at the Residence, maintained complete and accurate records to support amounts billed to DHS, and maintained complete and accurate records to support its expenses. It also determined whether the expenses were reasonable and necessary for the operation and maintenance of the shelter.

Results

Based on inspections of the facility and Wayside's actions in correcting the conditions that were brought to its attention, Wayside maintained the Residence in an adequate, safe, and sanitary fashion. Specifically, a March 26, 2002 visit to Wayside found that the common areas of the facility, including the hallways, laundry room, visitors' room, playground, and day care center had no detectable problems. However, roach infestation and water damage to a ceiling in a bathroom, running water in a toilet, damage to a closet door, and a broken broiler drawer in a kitchen stove were found in the five apartments inspected. The auditors informed Wayside officials of these problems. A follow-up visit on June 4, 2002, confirmed that these problems, with the exception of the roach infestation, were corrected. According to Wayside's records, exterminating services are performed in the apartments once a month.

In addition, Wayside maintained complete and accurate records that support its expenses and the amounts billed to DHS, and it generally spent program funds on expenses that were reasonable and necessary for the operation of the Residence. Moreover, Wayside provided the services called for in its contract.

However, there were certain weaknesses in Wayside's operating practices. Specifically, Wayside: did not compensate an employee time and a half for work in excess of 40 hours per week; paid one of its employees \$2,159 that was not included in his yearly earnings statement; made one disbursement, totaling \$413, for a questionable expense; and did not have adequate documentation for \$1,030 in expenses.

The audit recommended that Wayside should:

- Consider increasing extermination services in the facility to twice a month.
- Calculate payments to its employees in accordance with federal labor standards and pay its underpaid employee the \$3,189 due to him.
- Report all payments for services rendered by its employees on the employees' W-2 statements.
- Maintain adequate documentation for all purchases.

In its response, Wayside agreed to implement the four recommendations. DHS responded that it "is pleased to learn that Wayside MacDonough has generally complied with the terms of its contract. . . . Concerning weaknesses in Wayside's operating practices, DHS' Family Services will follow up to ensure that those situations are corrected."

Audit Follow-up

DHS reported that all of the recommendations have been implemented.

NEW YORK CITY HOUSING AUTHORITY (NYCHA)

Audit Report on the New York City Housing Authority's Process for Determining Tenant Eligibility

Audit # MG03-080A

Comptroller's Audit Library # 7500

Issued: June 30, 2003

Monetary Effect: None

Introduction

The goal of the New York City Housing Authority (NYCHA) is to provide decent and affordable housing for low- and moderate-income City residents. NYCHA currently maintains 345 public housing developments throughout the five boroughs, with more than 181,000 apartments housing about 425,000 people.

In Fiscal Year 2002, the period covered by the audit, NYCHA received about 68,000 applications for public housing. It also certified about 12,000 applicants to its rental waiting lists and selected from these lists about 9,000 applicants who accepted apartments and moved in.

The tenant selection process has the following six basic steps: (1) an applicant files an application for public housing; (2) NYCHA screens the application to assign the applicant to a priority category; (3) NYCHA schedules an eligibility interview based on the priority category; (4) NYCHA determines the applicant's eligibility and certifies the applicant to a rental waiting list; (5) NYCHA selects the applicant from a rental waiting list based on the applicant's priority category; and (6) the applicant accepts an apartment offer from NYCHA.

There are two sets of priority categories for new applicants—one for need-based applicants and one for working families. Need-based applicants include the homeless, victims of domestic violence, intimidated witnesses, those with a housing-condition-related health emergency, those with a rent hardship, and those living in substandard or extremely overcrowded apartments. Working family applicants include those with incomes up to 80 percent of the median income in the New York City area. Applicants may qualify for both a need-based priority and a working family priority. In an effort to diversify the residential population of its housing developments, NYCHA alternatively selects need-based and working family applicants from a development's rental waiting list as apartments become available.

This audit reviewed the fairness and efficiency of NYCHA's tenant selection process from the time the applicant files a public housing application to the time NYCHA certifies the applicant to a rental waiting list. The audit reviewed NYCHA's processing of 150 randomly selected applications filed in Fiscal Year 2002.

Results

Considering the New York City Housing Authority received over 68,000 public housing applications in Fiscal Year 2002, and considering the complexity of determining the eligibility of many of the applicants, the audit concluded that NYCHA adequately handled its responsibility to provide a reasonably fair and efficient process for determining tenant eligibility. However, the audit identified areas of concern relating to the clarity of NYCHA's public housing application form; the placement of applicants in incorrect housing priority categories; the manual (non-computerized) scheduling of certain types of eligibility interviews, which could allow opportunities for favoritism in the scheduling process; the untimely scheduling of eligibility interviews for some applicants; and the lack of clear written guidance on handling housing-condition-related health emergency claims.

To address these issues, the audit made nine recommendations, including that NYCHA:

- Revise its public housing application form and the attached instructions to clarify questions relating to income, rent, and the number of rooms in the applicant's current apartment.
- Place greater emphasis on its public housing application screening process to ensure that applicants are placed in the correct priority category.
- Document its quality control efforts to improve the guidance provided to its housing assistants on assigning applicants to priority categories.
- Schedule all of its eligibility interviews automatically.
- Seek expert guidance on the development of written standards for the handling of health emergency claims.

In its written response, NYCHA stated that although it disagreed with some of the report's findings and conclusions, it believed "that the underlying recommendations provided us with an opportunity to take action to further augment the tenant eligibility process."

Audit Follow-up

NYCHA reported that it has fully implemented five recommendations, is in the process of implementing three recommendations, and disagreed with and will not implement one recommendation.

NYCHA disagreed with and will not implement the recommendation to notify homeless applicants when their applications cannot be processed. NYCHA notifies the Department of Homeless Services when homeless clients cannot be processed.

DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT (HPD)

Audit Report on the Development and Implementation of the Housing Preservation and Development Information System

Audit # 7A03-112

Comptroller's Audit Library # 7477

Issued: June 17, 2003

Monetary Effect: None

Introduction

The Department Housing Preservation and Development (HPD) works to maximize the production of affordable housing in New York City by encouraging cost-effective development. In 1996, HPD began developing the Integrated Property Management Information System and the Preservation Enforcement Maintenance Information System. HPD subsequently merged the two projects into an integrated information system, known as IPMIS/PREMISYS. One of the purposes of the integrated system was to eliminate redundant data entry and inconsistent data. HPD retained consultants to provide design and programming services necessary for the development of IPMIS/PREMISYS. In 1999, HPD modified its plans for IPMIS/PREMISYS and renamed the system to HPDInfo.

The audit determined whether HPD followed a structured methodology when developing HPDInfo and whether HPDInfo: meets the initial business and system requirements; is designed to allow for future enhancements and upgrades; as a finished product, will meet overall goals as stated in the system justification; and was procured in compliance with City Charter provisions and Procurement Policy Board (PPB) Rules. Audit fieldwork was conducted from September 2002 through April 2003.

Results

HPDInfo met HPD's initial business and system requirements; the system design allowed for future enhancements and upgrades; and HPD generally complied with the City Charter and relevant PPB Rules when procuring services, equipment, and software for the system. In addition, the system met the overall goals as stated in the original system justification. However, HPD did not follow a formal system methodology. Moreover, since development and implementation of the system's expanded scope is not complete, auditors could not determine whether the revised goals in the system justification will be met.

In addition, the audit user satisfaction survey revealed that 57 percent of respondents stated that they would like to see changes made to HPDInfo. Moreover, HPD provided no acceptance-testing certificates for any of the completed modules, and it used the same individuals both to develop the system and to serve as quality assurance consultants. Also, the system does not control log-in access of inactive users, it does not require that users change their access passwords, and it is not equipped with an automatic lockout feature. Finally, HPD does not have procedures in place to ensure that security violations are recorded, documented, and reviewed.

The audit made nine recommendations including that HPD:

- Develop and follow a formal systems development methodology for the completion of HPDInfo and for all future system development projects.
- Develop formal acceptance-sign-off procedures.
- Ensure that user concerns are addressed.
- Develop written policies and procedures to terminate inactive user identifications (IDs). In addition, HPD should immediately terminate the access of those individuals who are no longer employed by the agency. Furthermore, HPD should review the status of the inactive users and terminate access as appropriate.
- Have its personnel department immediately advise the Technology and Strategic Development Division (Division) of those employees leaving or terminated from HPD. The Division should promptly delete those accounts from the system.
- Develop written policies and procedures for password-security control.

HPD indicated the actions it has taken and will take to comply with the recommendations contained in the report. However, HPD contended that its use of in-house staff as quality assurance reviewers was sufficient and that it calculated a higher level of user satisfaction than was stated in the report.

Audit Follow-up

HPD reported that it has implemented three recommendations, is in the process of implementing two recommendations, and disagreed with and will not implement four recommendations.

HPD will not implement the recommendations concerning hiring consultants to perform system quality assurance reviews; addressing user concerns cited in the audit; developing written policies and procedures for password security control; and installing a lockout feature to disable access to the system after a number of unsuccessful log-ins.

DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT (HPD)

Audit Report on the Compliance of the 138-152 West 143rd Street Housing Development Fund Corporation with its Contract with the New York City Department of Housing Preservation and Development

Audit # FP02-133A

Comptroller's Audit Library # 7424

Issued: October 11, 2002

Monetary Effect: None

Introduction

The Department of Housing Preservation and Development (HPD) entered into a three-year contract with the 138-152 West 143rd Street Housing Development Fund Corporation (the Corporation), to manage, maintain, and operate the Harriet Tubman Family Living Center (Family Center). Under the terms of the contract, the Corporation was to provide temporary emergency housing for families displaced by fires or ordered to vacate their apartments because of unsafe conditions. For the audit period, July 1, 2000, through June 30, 2001, the Corporation's contract totaled \$1,367,467.

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

Results

The Corporation maintained complete and accurate records that supported the amounts billed to HPD, and generally spent program funds on expenses that were reasonable and necessary for the Family Center's operations. In addition, the Corporation billed HPD for only those tenants for whom the agency was responsible; maintained required insurance coverage; conducted orientation for new tenants; and provided non-residential space for not-for-profit organizations and government agencies providing social services and support to Family Center residents.

However, the Corporation did not comply with certain terms of its contract, and there were weaknesses in its operating practices. Specifically, the Corporation did not maintain the facilities in sanitary condition; these conditions included, a faulty electrical outlet, peeling paint, broken cabinet doors, broken tiles, leaking faucets, roach infestation, leaks from bathroom ceilings, and damaged bathroom vanities. In addition, many of the residents complained that their apartments were infested with roaches, mice, and rats.

Furthermore, the Corporation paid the West Harlem Group Association (Association) an \$80,266 management fee. The audit questioned these payments because there was no contract between the Corporation and the Association indicating what services were to be rendered and because the Association did not appropriately bill the Corporation.

To address these issues, the audit made four recommendations among which was that:

- HPD ensure that the Corporation immediately inspect all apartments and ensure that all conditions found (including those cited in the report) are corrected.
- Develop and implement formal procedures for inspecting tenants' apartments.
- Properly support all disbursements with adequate documentation and pay only for expenses related to the Family Center's operations.

Both the Corporation and Department of Housing Preservation and Development agreed to implement the audit's recommendations.

Audit Follow-up

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

HUMAN RESOURCES ADMINISTRATION (HRA)

Audit Report on the Development of AutoTime by the Human Resources Administration

Audit # 7A01-100

Comptroller's Audit Library # 7427

Issued: November 27, 2002

Monetary Effect: None

Introduction

In 1995, the Human Resources Administration (HRA) hired Davisco Inc. (Davisco) for a five-year, \$9.6 million contract to develop a system that captures and processes employee timekeeping, attendance, and leave information from HRA's 112 work sites. This system, known as AutoTime, is intended to reduce the cost of HRA timekeeping, eliminate paperwork, reduce errors in employee time records, and enable transmittal of Electronic Time Records and data adjustments to the City's Payroll Management System. The original contract was amended on October 22, 1998, December 1, 1998, May 18, 1999, and October 10, 2000, bringing the total contract price to \$12,897,563. Subsequently, on August 2, 2000, HRA awarded Davisco an \$11.9 million renewal contract bringing the total cost to \$24.8 million.

This audit determined whether HRA followed a structured methodology to create the AutoTime system to meet initial business and system requirements, allow for future enhancements and upgrades, and meet user needs. Audit fieldwork was conducted from April 2001 through December 2001.

Results

The basic time keeping functions of AutoTime were installed in 1998, and generally adhered to the initial business and system requirements of the Request for Proposal (RFP). Also, the system's overall modular design allows for future enhancements and periodic upgrades and includes formal procedures for program change control and software testing. In addition, users surveyed by the auditors were generally satisfied with the system.

However, AutoTime is incomplete, and its costs have significantly exceeded the original contract amount. HRA could have mitigated these problems by retaining an independent quality assurance consultant to help identify the needs of the users and evaluate the proposals HRA received in response to the RFP. The auditors also discovered that Davisco employees had improper access to personal information on the AutoTime database. A review of the renewal contract with Davisco found that it included services that could be performed by HRA employees. The audit also found that AutoTime did not produce its envisioned savings. HRA estimated that by implementing the AutoTime system, the City would save \$15.7 million. Yet, based on the actual costs of developing and maintaining the system, the auditors concluded that the City would not realize any savings from the implementation of the system.

The audit recommended that HRA:

- Assemble a project team headed by a full-time project manager who will ensure that all necessary AutoTime functions are identified and implemented. The team should include a representative from HRA's audit group to serve as a quality assurance consultant.
- Immediately survey system users to determine areas of AutoTime that require changes to meet their needs.
- Monitor the activities of the "super users" to ensure that only authorized work is performed on the system.
- Amend Davisco's renewal contract to include training for HRA's technical staff so that they can take over the programming, maintenance, reporting, and database administration of AutoTime when the renewal contract ends.
- Use the experience of developing AutoTime as a guide in the development of future system projects.
- Retain an independent quality assurance consultant to help identify the needs of the users and evaluate the proposals received in response to future RFPs.

HRA responded that it would consider the findings and recommendations in evaluating the overall success of the AutoTime project and in planning, developing, and implementing future information systems. HRA indicated that it did not believe that it should be held to the requirements of Comptroller's Directive #18 regarding hiring an independent quality assurance consultant, as the quality assurance provisions of Directive #18 did not go into effect until after the initial AutoTime contract was let. HRA also responded that certain of the report's findings were incorrect or flawed, and that the implementation of AutoTime constituted a positive change in the way it does business.

Audit Follow-up

HRA reported that it plans to implement two recommendations, partially implement one recommendation, and disagreed with and will not implement the remaining three recommendations.

HRA reported that it cannot limit Davisco's access to personal employee data within the Auto time database; however, HRA has acquired software called SNIFFER that allows HRA to monitor network traffic and track activities on the Auto Time server.

HRA will not implement the recommendations concerning: assembling a project team; amending Davisco's renewal contract to including training for HRA's technical staff; and retaining an independent quality assurance consultant.

HUMAN RESOURCES ADMINISTRATION (HRA)

Audit Report on the Automated Childcare Information System of the Human Resources Administration

Audit # 7A03-148

Comptroller's Audit Library # 7501

Issued: June 27, 2003

Monetary Effect: None

Introduction

The Automated Childcare Information System (ACCIS) was developed in 1999 by Human Resources Administration (HRA) in-house staff as a childcare case management and payment system to improve the timeliness of payments to childcare providers and individuals eligible for childcare benefits. It currently supports approximately 30,000 active cases while processing approximately \$600 million in payments annually. ACCIS is the primary resource for maintaining records of all of HRA's enrollments, payments, and other data relating to publicly funded childcare.

The audit determined whether ACCIS met management's objectives; is designed to allow for future enhancements and upgrades; users are satisfied with the system; a system development methodology was used during development; and has been included in HRA's disaster recovery plan. Audit fieldwork was conducted from March to May 2003.

Results

ACCIS met the objectives and overall goals of HRA's management and allows for future enhancements and upgrades. In addition, HRA followed a formal system methodology when developing ACCIS, and the system has been adequately incorporated into HRA's disaster recovery plan. However, although a survey of the system's users found that although 86 percent are happy with ACCIS, 50 percent of the users stated that they would like to see changes made to the system; 55 percent reported a variety of technical and training issues that should be addressed; and 38 percent stated that ACCIS is not user friendly. Finally, ACCIS access controls need improvement.

- The audit made five recommendations. HRA should:
- Ensure that all user concerns are addressed.
- Conduct user surveys periodically to identify user concerns.
- Promptly delete from the system all inactive, terminated, and multiple IDs and test-IDs.
- Require and enforce periodic changes in user passwords and the selection of unique user IDs.
- Reduce the number of employees with the capability of creating user IDs.

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

Audit Follow-up

HRA reported that it has implemented two recommendations and is in the process of implementing the remaining three recommendations.

HUMAN RESOURCES ADMINISTRATION (HRA)

Audit Report on the Processing of Clients' Permanent Housing Applications by the HIV/AIDS Services Administration of the Human Resources Administration

Audit # ME02-116A

Comptroller's Audit Library # 7508

Issued: June 30, 2003

Monetary Effect: None

Introduction

The Human Resources Administration (HRA) provides a broad range of programs and services intended to help individuals and families achieve their highest level of self-reliance. The HIV/AIDS Services Administration (HASA) is the primary mechanism within HRA to provide access to benefits and services to persons with AIDS and HIV-related illnesses.

This audit assessed the efficiency of HASA in processing clients' applications for permanent housing. The audit covered the period July 2001 through October 2002.

Results

HASA is not efficient in processing clients' applications for permanent housing, nor does it comply with its own time frame for processing requests for financial assistance for clients who have secured a valid lease or letter of intent to rent.

Case managers at HASA field centers do not track the progress of permanent housing applications filed with the Housing Unit. By not following up on clients' applications, case managers are failing in their duty to clients to help ensure that their housing needs are met. The lack of monitoring by case managers may be due in part to inadequate procedures detailing the specific steps and responsibilities of the HASA units involved in the placement process. Finally, only 14 (44%) of the 32 financial assistance request packages for the sampled clients were processed by HASA within the required five business days.

These weaknesses serve to make the difficult task of finding permanent housing for clients even more difficult. HRA officials acknowledged the problems identified during the audit and stated that HASA has instituted, or is in the process of instituting, corrective measures to improve its efficiency in processing housing applications.

The audit made seven recommendations, some of which are listed below. HRA should:

- More fully develop the HASA procedures manual so that the housing placement process, and the roles that the various HASA units play in the process, are clearly defined. At a minimum, the manual should identify the key stages in the placement process, the responsibilities of all parties at those stages, the maintenance of key documents, and the controls to ensure that the process operates as intended.
- Ensure that HASA management develops monitoring tools to track the housing placement process. The monitoring tools should be designed to identify areas where improvement is needed; management should then develop strategies to initiate corrective measures in those areas.
- Ensure that Case by Case Financial Assessment (CBCFA) packages are processed in a more timely manner and that key events related to the processing are documented in the case files. These events should include, at a minimum, the dates that packages are forwarded to the CBCFA coordinator, the dates packages are returned, and any other significant events that affect the timely processing of the packages.
- Ensure that supervisors and/or directors track the timeliness in processing CBCFA packages. For packages that are not processed in a timely manner, directors should identify the causes for the delays and develop strategies to address those causes.

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

Audit Follow-up

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

HUMAN RESOURCES ADMINISTRATION (HRA)

Audit Report on the Internal Controls of the Human Resources Administration over Its Warehouse Inventory

Audit # MJ02-145A

Comptroller's Audit Library # 7468

Issued: June 6, 2003

Monetary Effect: None

Introduction

The Human Resources Administration (HRA) administers a broad range of programs and services to help individuals and families. The HRA Office of General Support Services (HRA Central) provides assistance, including capital construction planning, engineering services, and repair and maintenance, to HRA programs. The Office of Facilities Management Services (OFMS), a component of HRA Central, stores materials for the Construction and Maintenance divisions in its central warehouse. For Fiscal Year 2002, HRA reported that its year-end inventory had a value of \$1,096,326.

This audit determined whether HRA has adequate internal controls over inventory at its central warehouse. The audit covered the period July 1, 2001, through February 5, 2003.

Results

HRA had significant weaknesses in the recording, security, and maintenance of inventory. These weaknesses resulted from HRA management's failure to institute the controls necessary to ensure that the warehouse inventory is properly safeguarded and accounted for.

HRA did not have written procedures for maintaining inventory. Inaccurate inventory records and inadequate security measures were evidenced by the following: auditors' count of sampled items revealed a gross discrepancy of 21 percent between the amounts on hand and the amounts reported in the records; HRA personnel did not generally investigate discrepancies between amounts on hand and amounts recorded; and 53 (25%) of the 219 transactions reviewed were inventory adjustments inadequately supported by HRA records. Also, surveillance tools were not properly used, and the person in charge of security had not taken a day off in more than two years. In such an environment, there is a high potential that goods may be lost or stolen and not detected.

The audit made two recommendations. HRA should:

- Create an inventory project team that reports to the Commissioner or a high-level Deputy Commissioner, whose function would be to overhaul and redesign the agency's inventory system. In re-engineering the system, this team should incorporate the inventory standards encompassed in the Department of Investigation's "Standards for Inventory Control and Management" and in Comptroller's Directive #1.
- As an alternative, if HRA does not think that it has the in-house skills necessary for an inventory re-engineering project, the audit recommended that HRA seek funding to hire an outside consultant to address the problems and use the future savings from its inventory operations to pay for the consultant.

In its response, HRA agreed with the audit's findings and will implement the first recommendation.

Audit Follow-up

HRA reported that recommendation #1 has been implemented. HRA established a project team, which after completing a thorough evaluation of the warehouse operation devised new Internal Operating Procedures. All warehouse staff have received initial training in these new procedures and will receive annual ongoing training. HRA Central/OFMS conducts random spotchecks of the warehouse to verify that the staff is complying with the new procedures.

METROPOLITAN TRANSPORTATION AUTHORITY (MTA)

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

Audit # FN03-074A

Comptroller's Audit Library # 7446

Issued: April 4, 2003

Monetary Effect: None

Introduction

The Metropolitan Transportation Authority (MTA) was created by the State of New York to maintain and to improve commuter transportation and related services within the Metropolitan Transportation Commuter District. The New York State Public Authorities Law 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 (FN01-190A, issued February 20, 2002); provided maintenance services for those stations in accordance with LIRR standards and procedures; and, provided adequate police protection at City Stations. The MTA bill for both LIRR and Metro-North Railroad City Stations for the period April 1, 2001, to March 31, 2002, totaled \$66,726,002.

Results

With the exception of the Murray Hill station, which was not properly maintained and had potentially hazardous conditions in need of repair, the LIRR generally maintained City Stations in a clean and safe condition and corrected the unsafe and unsanitary conditions identified in the prior audit. The conditions at the Murray Hill station, most of which were noted in the prior audit, included cracked and crumbling cement; chipped and damaged steps on staircases; and loose metal plates on station platforms.

Moreover, LIRR did not correct all of the unsafe conditions cited by its own inspectors at the Murray Hill station. According to LIRR inspection reports from November 2000 through March 2002, inspectors noted that the steel plates at the edge of the platform required repair and that the platforms and staircases had seriously deteriorated, the station's stairs had broken and chipped steps, and the platforms had cracked and crumbling cement. During the auditors' inspections of this station from June through September of 2001, these conditions still existed.

Finally, 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. Locust Manor, last painted in 1998, should have been painted in 2001. Belmont Park, East New York, Flushing Main Street, Nostrand Avenue, and Shea Stadium stations should have been painted every five years. Belmont Park should have been painted in 1998; it was last painted in 1993. Flushing Main Street was last painted in 1994, and should have been painted in 1999. East New York, Nostrand Avenue, and Shea Stadium were last painted in 1997, and should have been painted in 2002.

The audit made five recommendations to the MTA and the LIRR including that:

- LIRR ensure that conditions identified by the auditors as well as those identified by its own inspectors are corrected.
- City Stations are painted in accordance with LIRR regulations.

LIRR officials agreed to implement the recommendations.

Audit Follow-up

The LIRR reported that it has taken steps to implement the audit recommendations:

- A number of problems cited for Murray Hill will be addressed during the capital renovations, scheduled to begin during the second quarter of 2004. The Quick Response Team has been removing the graffiti from Murray Hill and this station has had a number of temporary repairs done to the platform and staircases.
- All repairs to the Broadway station have been completed by June 2003.
- The Quick Response Team has also removed graffiti from the East New York station, repainted the underpass and repaired one of the staircases. In addition, graffiti has been removed from the Locust Manor, Nostrand Avenue, Flushing Main Street and Shea Stadium stations.

The LIRR also reported that it is not responsible for maintaining Belmont Park and Penn Station and has written letters to the New York Racing Association and Amtrak informing them of the conditions mentioned in the audit.

METROPOLITAN TRANSPORTATION AUTHORITY (MTA)

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

Audit # FN03-075A

Comptroller's Audit Library # 7445

Issued: April 4, 2003

Monetary Effect: None

Introduction

The Metropolitan Transportation Authority (MTA) was created by the State of New York to maintain and to improve commuter transportation and related services within the Metropolitan Transportation Commuter District. The New York State Public Authorities Law 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 (#FN01-191A, issued February 20, 2002); provided maintenance services for those stations in accordance with Metro-North standards and procedures; and provided adequate police protection at City Stations. The MTA bill for both Metro-North and the Long Island Rail Road City Stations for the period April 1, 2001, through March 31, 2002, totaled \$66,726,002.

Results

With the exception of the Harlem Line's Tremont, Wakefield, and Fordham stations, Metro-North generally maintained City Stations in a clean and safe condition and corrected the unsafe and unsanitary conditions identified in our prior audit (FN01-191A, issued February 20, 2002). However, these three stations were not properly maintained and had potentially hazardous conditions in need of repair. The conditions, most of which were noted in the prior audit report, included raised metal expansion plates; uneven, cracked and crumbling cement; and deteriorated steps and staircases.

Moreover, Metro-North did not correct all of the unsafe conditions cited by its own inspectors at the Tremont and Wakefield stations, and its inspections of the Fordham station were inadequate. Problems noted by Metro-North's own inspectors as far back as May 2001 had not been corrected at the Tremont, Wakefield, and Riverdale Stations during audit inspections of these stations in July and August 2002.

Finally, the quality of repair work was inferior at City Stations when compared to that at Westchester County Stations. Unlike the Tremont, Wakefield, and Fordham stations that Metro-North continues to neglect, Metro-North is diligent in maintaining its Harlem Line Westchester County stations. Auditors' inspections of 26 Westchester County Stations revealed that 25 were properly maintained, with no hazardous conditions evident. Only one station was found to have minor problems. New York City is entitled to the same level of service that Metro-North is providing in Westchester County.

The audit made five recommendations to the MTA and Metro-North, including that Metro-North ensure that conditions identified by the auditors as well as those identified by its own inspectors are corrected.

In a response forwarded by the MTA, Metro-North officials, who disagreed with the comparison of City Stations with Westchester County Stations, nevertheless agreed to implement the recommendations.

Audit Follow-up

Metro-North reported that all conditions cited in the audit have been corrected.

METROPOLITAN TRANSPORTATION AUTHORITY (MTA)**Audit Report on the Financial Practices of the New York City Transit Authority**

Audit # FN03-141A

Comptroller's Audit Library # 7451

Issued: April 23, 2003

Monetary Effect: None

Introduction

The New York City Transit Authority (Transit Authority) was created in June 1953 to operate the City subway and bus systems previously operated by the New York City Board of Transportation. The Transit Authority is a public benefit corporation established under the State of New York Public Authorities Law. In 1968, New York State created the Metropolitan Transportation Authority (MTA) to oversee, maintain, and administer the mass transportation systems within the Metropolitan Transportation Commuter District through its subsidiaries: the Long Island Rail Road; the Metro-North Railroad; the Staten Island Rapid Transit Operating Authority; and the Metropolitan Suburban Bus Authority (Long Island Bus); and through its affiliates: the Triborough Bridge and Tunnel Authority (TBTA) and the Transit Authority.

This audit, initiated on January 15, 2003, analyzed the New York City Transit Authority's procedures for recording and reporting financial and statistical data presented to the public. The audit was prompted by the fiscal difficulties reported by the Metropolitan Transportation Authority and the New York City Transit Authority and the concerns raised by the public about whether a proposed fare increase was justified. The audit covered the period January 1, 2001 to March 27, 2003.

Results

The audit found that:

- The New York City Transit Authority improperly included capital costs and interest expense on long-term debt as expenses on its financial statements, thereby overstating approximately \$859,149,000 (16.1%) of all expenses reported in Fiscal Year 2001. In the draft Fiscal Year 2002 statement, the agency overstated expenses by approximately \$852,905,000 (15.5%) of reported operating expenses.
- The draft financial statements indicated that the Transit Authority ended calendar year 2002 with approximately \$300 million in the "MTA Investment Pool." Given the limited information provided by the MTA, the auditors could not determine whether these resources were included in the budget plans and were considered when the MTA Board voted on the fare increase on March 6, 2003.
- The MTA 2003 Operating Budget Proposal did not indicate whether it included: savings from debt restructuring; costs associated with the recent collective bargaining agreement or reserves set aside to cover these costs; surpluses associated with toll increases for bridges and tunnels; and additional revenues from the proposed increase in the transit fare. The proposal also

reported different operating deficits—\$1.632 billion and \$2.009 billion—in two sections of the document.

- The Transit Authority’s “Fare Revenue Model,” which the agency used to project Transit Authority revenue from the fare increase in the revised budget, made assumptions regarding ridership that are questionable based on a review of historical ridership data.
- After considering the new fare increases, Transit Authority ridership will pay a “significantly higher percentage” (53.9%) of TA operating expenses when compared to the percentage of operating expenses paid for by the ridership of the commuter railroads and Long Island Bus.
- Transit Authority ridership will also pay more (17.5%) towards covering the projected Transit Authority’s operating deficit than ridership of the commuter railroads and Long Island Bus will contribute towards reducing those entities’ projected operating deficits.

The audit recommended that the Transit Authority, in conjunction with the MTA:

- Reevaluate the need for a fare increase based on the issues discussed in this audit.
- Ensure that capital costs are properly reported on its financial statements in accordance with Generally Accepted Accounting Principles.
- Ensure that future budget proposals contain complete, clear, and accurate information pertaining to the Transit Authority’s financial position. In that regard, the Transit Authority and MTA should appoint an independent task force to review Transit Authority budget proposals before they are presented to the MTA Board for approval. Also, the Transit Authority and the MTA should consider including members of the public as well as elected officials on the task force.

In addition, the MTA should take into account the amount of operating expense already paid for by their riders when considering future fare increases for the Transit Authority, the commuter railroads, and Long Island Bus.

In their response, MTA officials disagreed with the audit’s findings and recommendations.

Audit Follow-up

The MTA reported that it has taken steps to ensure that in its new budget process future budget proposals contain complete, clear, and accurate information pertaining to the Transit Authority’s financial position. However, the MTA disagreed with the audit recommendations pertaining to reevaluating the need for a fare increase; ensuring that capital costs are properly reported on its financial statements; and taking operating expenses of the Transit Authority, commuter railroads, and Long Island Bus when considering future fare increases.

MULTI-AGENCY (DEPARTMENT OF FINANCE AND DEPARTMENT OF PARKS AND RECREATION)

Audit Report on the Payment of Commercial Rent Taxes by Department of Parks and Recreation Concessionaires June 1, 1999, through May 31, 2002

Audit # FM02-174A

Comptroller's Audit Library # 7454

Issued: May 2, 2003

Monetary Effect: Actual Revenue: \$227,410

Potential Revenue: \$743,838

Introduction

The Department of Parks and Recreation (Parks) is responsible for the maintenance and operation of more than 28,000 acres of City parkland. Parks's responsibilities include maintaining a clean and safe environment in City parks and providing the public with recreational opportunities. To provide recreation and encourage the use of the parks, the Parks Revenue Division enters into contractual agreements with private businesses and individuals to operate various concessions (e.g., marinas, golf courses, tennis courts, restaurants, and food carts) on Parks' property.

Commercial Rent Tax (CRT) falls under the purview of the Department of Finance (Finance). Finance's primary responsibility is to administer and enforce tax laws, collect taxes, judgments, and other charges from the public. CRT is imposed on tenants who occupy or use premises for the purpose of carrying on any trade, business, profession, or commercial activity south of the centerline of 96th Street in Manhattan.

The audit determined whether Parks monitors payments by its concessionaires of CRT and whether it coordinates its efforts with those of Finance to identify concessionaires required to pay the tax and assists Finance in collecting the tax. The period covered by the audit was June 1, 1999, to May 30, 2002.

Results

The audit found that the lack of coordination between the Parks and Finance resulted in Parks concessionaires' owing \$971,248 in CRT, interest, and penalties. Parks neither monitors whether its concessionaires pay CRT nor effectively coordinates with Finance to identify those concessionaires who are required to pay the tax. As a result, nine of 15 Parks concessionaires who are required to pay CRT did not file tax returns or pay the tax for at least one of the last three tax years. Moreover, two former concessionaires have not filed or paid the amount they owe since ceasing operations in November 2000 and July 2001, respectively. Only the remaining four of the 15 concessionaires filed the required returns.

The audit recommended that Parks:

- Assist Finance with the collection of CRT owed by concessionaires. In that regard, Parks should issue a "Notice-to-Cure" to concessionaires requiring them to pay the outstanding amounts.

- Establish a system for tracking franchise fees of concessionaires operating below 96th Street in Manhattan. The system should flag concessionaires as soon as their franchise fees exceed the CRT payment-threshold. Once a concessionaire's fees exceed the CRT threshold, Parks should alert Finance so they can ensure that the concessionaire complies with filing requirements and pays all taxes due.
- Consider the non-payment of CRT when making decisions on future proposals from concessionaires.

The audit also recommended that Finance:

- Pursue collection of the amounts owed by the 11 concessionaires cited in this report.
- Notify Parks of concessionaires who owe CRT and request that any security deposits from the concessionaires be used to satisfy the amounts due.
- Attach liens to the business property of those concessionaires that owe CRT.

Parks officials agreed to implement the report's recommendations. However, they strongly disagreed with the report's conclusion that there was a lack of coordination between Parks and Finance in identifying concessionaires who are required to pay CRT.

Finance officials agreed with the audit's findings and recommendations. In its response, Finance stated that the audit was helpful to their operations because it highlighted areas where they can improve.

Audit Follow-up

Parks reported that it plans to fully implement recommendations #2 and #3, but can only partially implement recommendation #1. Parks will assist Finance with the collection of CRT from Parks concessionaires; however, Parks is unable to issue a "Notice To Cure" because of legal constraints.

Finance reported that it has implemented the audit recommendations.

MULTI-AGENCY (ADMINISTRATION FOR CHILDREN'S SERVICES AND DEPARTMENT OF YOUTH AND COMMUNITY DEVELOPMENT)

Audit Report on the Compliance of Neighborhood Youth and Family Services with Its City Contracts (July 1, 2000, through June 30, 2001)

Audit # FM02-176A

Comptroller's Audit Library # 7517

Issued: June 30, 2003

Monetary Effect: Potential Revenue: \$400,777

Actual Revenue: \$ 10,568

Introduction

Neighborhood Youth and Family Services (NYFS), is a Bronx community-based not-for-profit organization that provides various social services, including counseling, drug treatment, housing assistance, and legal services. In Fiscal Year 2001, the period covered by the audit, the New York City Administration for Children's Services (ACS) awarded NYFS three contracts totaling approximately \$3.9 million for its programs. In addition, Department of Youth and Community Development (DYCD) awarded NYFS \$117,669.

The audit determined whether NYFS maintained adequate internal controls over the recording and reporting of its expenses and whether it was reimbursed in accordance with the terms of its contracts.

Results

The audit found that NYFS did not maintain adequate controls over the recording and reporting of program expenses, did not maintain sufficient documentation to support expenses charged to its contracts, and did not maintain records to support payroll advances. Consequently, it could not be determined whether expenses charged to the City contracts were legitimate, appropriate, and in accordance with the terms of the agreements.

In addition, based on claims submitted, NYFS was reimbursed a total of \$411,345 for: expenses not consistent with its approved budget; unallowable administrative expenses; services provided to other programs; and expenses that were previously reimbursed or were not supported by its accounting records.

The audit recommended that NYFS:

- Maintain complete documentation to support expenses.
- Approve all purchase in accordance with internal fiscal policies and procedures.
- Maintain records of payroll advances and ensure that all amounts due are paid.
- Ensure that expenses charged to City contracts are in accordance with approved budgets.
- Repay the City \$411,345.

The audit also recommended: that ACS recoup \$400,777 from NYFS and ensure that NYFS implements the report's recommendations; and that DYCD recoup \$10,568 from NYFS.

NYFS generally agreed with the audit’s findings and recommendations and is requesting that ACS consider a budget modification to correct the errors found in the audit. Both ACS and DYCD agreed with the report’s findings and stated they will implement the recommendations.

Audit Follow-up

NYFS reported that it has instituted policies and procedures to ensure that all transactions are being properly reviewed and approved. NYFS has also instituted procedures to make sure that all payroll advances are being accounted for and repaid.

ACS reported that it met with representatives from the Comptroller’s Office to review ACS’s closeout methodology, and the Comptroller’s Office agreed that the amount NYFS owes to ACS should be revised based on a budget modification. ACS will take action to recover funds after the modified budget has been approved. In addition, ACS issued written notice to NYFS on June 24, 2003, advising NYFS to implement the Comptroller’s recommendations.

DYCD reported that it has set up a payment agreement with NYFS for NYFS to pay the \$10,568 in installments.

MULTI-AGENCY (PUBLIC SAFETY AGENCIES)

Follow-up Audit on How the Public Safety Agencies Monitor Employees Who Use City or Personally Owned Vehicles While Conducting City Business

Audit # MJ03-096F
Comptroller’s Audit Library # 7480
Issued: June 24, 2003
Monetary Effect: None

Introduction

This is a follow-up audit to determine whether the recommendations made in two audits issued in 1999 have been implemented by the City agencies covered by those audits. Those audits examined how Public Safety agencies (as categorized in the Fiscal Year 1994 Mayor’s Management Report) monitor employees who use City or personally owned vehicles while conducting City business. The first audit covered the Fire Department (FIRE/EMS), the Police Department (NYPD), the Department of Probation (PROB), and the Department of Juvenile Justice (DJJ) and was a follow-up of a prior 1996 audit. The second audit covered the Department of Correction (DOC), which was not included in the original 1996 audit. This follow-up audit covered Fiscal Years 2000 through 2003.

The 1999 follow-up audit of the Public Safety agencies (Public Safety audit) found that since 1996, the agencies had improved their monitoring of employees who are authorized to drive City or personally owned vehicles on City business. The overall percentage of authorized drivers with poor driving records had decreased, and most of the agencies were taking positive actions to ensure that their drivers were taking driver's safety courses. However, the 1999 audit of DOC's monitoring of its employees (DOC audit) found weaknesses in the agency's oversight. A Department of Motor Vehicles (DMV) check revealed that 3,224 (30%) of 10,836 DOC employees did not have a valid license on record. DOC provided additional evidence indicating that problems were resolved for 1,945 of them, leaving 1,279 (12%) with no record of a valid license. For the remaining 9,557 DOC employees with a valid license, 2,567 (27%) had poor driving records and significant notations on DMV records covering the previous ten years. Finally, that audit found that DOC did not have a driver's safety program, even though City policy required agencies to initiate programs promoting driver safety.

Results

Of the eight recommendation made in the previous audits, the Public Safety agencies implemented seven, and one was no longer applicable. This follow-up audit found that the Public Safety agencies had improved their monitoring of employees authorized to drive City or personally owned vehicles to conduct City business. In addition, the overall percentage of authorized drivers with poor driving records has decreased since the previous audits. All of the agencies are taking positive actions to ensure that their drivers take driver's safety courses.

The report made three recommendations. The Public Safety agencies should:

- Continue to check with DMV to verify that all City employees' licenses are valid before granting them driving privileges.
- Continue to prohibit employees with unsatisfactory driving record from driving City vehicles or personally-owned vehicles on City business, as specified in the criteria defined in the City regulations and the agencies' own regulations.
- Continue to register (update) all employees who drive a City vehicle or personally owned vehicle on City business in the New York State DMV License Event Notification Service program.

In their responses, the Public Safety agencies generally agreed with the audit's findings and implemented the audit's recommendations.

AUDITS OF MANAGERIAL LUMP SUM PAYMENTS

Monetary Effect: Actual Savings: \$577,888.51

The Bureau of Financial, Audit 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 \$577,888.51 on all lump sum claims submitted by agencies in Fiscal Year 2003, as follows:

Total number of claims in Fiscal Year 2003	670
Total amount of agency-prepared lump sum claims	\$19,600,894.13
Total amount of lump sum claims approved for payment	\$19,023,005.62
Claims correctly prepared by the agency	227
Claims reduced during pre-audit	285
Claims increased during pre-audit	158
Claims denied	0
Total dollar value of agency overpayments, before pre-audit	\$ 727,528.18
Total dollar value of agency underpayments, before pre-audit	\$ 149,639.67
Net Decrease resulting from pre-audit	\$ 577,888.51

AUDITS OF HIGH RISK WELFARE FUND PAYMENT VOUCHERS

Monetary Effect: Actual Savings: \$ 509,076
 Potential Savings: \$2,114,192

The Bureau of Financial Audit ensures that agencies are in compliance with provisions contained in more than 600 agreements between the City and various unions, covering welfare and annuity benefits for active and retired employees.

Copies of all payment vouchers are submitted to the Comptroller by City agencies in accordance with Comptroller's Directive 8 (Special Audit Procedures on High Risk Vouchers).

The payments are reviewed to ensure that they conform to the terms and conditions of all agreements, Office of Labor Relations (OLR) stipulations, Personnel Orders, Office of Collective Bargaining decisions, etc. Audits have revealed the following types of errors:

- Contributions made in error for unauthorized titles or rates
- Contributions made for retirees prior to their actual retirement date
- Duplicate payments for a title or a group of titles under two different agreements or the same agreement

During Fiscal Year 2003, 5,911 vouchers totaling over \$708 million were audited, with these results:

	<u>NUMBER OF VOUCHERS</u>	<u>AMOUNT</u>
Total Number of Vouchers Audited:	5,911	\$708,654,707
Vouchers Accepted:	5,065	\$484,765,783
Vouchers Not Accepted:	846	\$223,888,924
Overpayments:		\$ 2,623,268
Questionable:		\$ 12,146
Underpayments:		\$ 80,634

Collections during Fiscal Year 2003 totaled \$509,076. Agencies recouped this amount either by check from the appropriate fund or by deducting the overpayment from subsequent payment vouchers.

OFF-TRACK BETTING CORPORATION (OTB)

Audit Report on Off-Track Betting Corporation Controls over General Expenses and Reimbursements, July 1, 2001–June 30, 2002

Audit # FN03-121A

Comptroller's Audit Library # 7494

Issued: June 27, 2003

Monetary Effect: None

Introduction

A 1970 New York State law established the New York City Off-Track Betting Corporation (OTB) as a public benefit corporation to operate a pari-mutuel betting system within the City. OTB generates revenues from wagers, surcharges, and “breakage,” which result from the rounding of winning payoffs. Pursuant to State law, OTB distributes portions of its revenue to the State and the racing industry, retains a portion of its revenue for capital acquisitions, and after paying its administrative expenses, deposits the remaining net revenue in the City General Fund.

This audit determined whether OTB had sufficient internal controls in place to ensure that its employee personal expense reimbursements and its General Expenses were reasonable, justified, and properly recorded, and whether OTB adhered to applicable OTB and City procurement guidelines.

Results

OTB had adequate internal controls in place to ensure that employee personal expense reimbursements and charges made to its General Expense categories were reasonable and justified. OTB generally complied with its Corporate Guidelines for Expense Accounts and its Corporate Procedures for Expense Reports when processing employee personal expense reimbursements. Furthermore, OTB generally complied with its requisitioning procedures and applicable City procurement guidelines.

However, OTB did not provide adequate documentation to support \$14,198 in expenses. Specifically, OTB made reimbursements totaling \$9,879 to employees in 33 instances without sufficient documentation, without detailed travel information, or without having obtained advance approval for travel. Also, OTB could not find documentation to support reimbursements totaling \$1,807 made to five employee, and purchased items totaling \$1,778 that were not related to day-to-day OTB operations. Finally, there was \$734 in expenses for the cost of meals for which OTB could not provide documentation that indicated the meals were business-related.

The audit recommended that OTB:

- Ensure that all reimbursements to employees are for appropriate business-related expenses.
- Obtain appropriate documentation before processing reimbursements to employees.
- Maintain all voucher packages on file.

OTB officials responded that they generally agreed with the audit recommendations and described the process in place to ensure that employee reimbursements are appropriately documented.

Audit Follow-up

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

DEPARTMENT OF PARKS AND RECREATION (PARKS)**Audit Report on Department of Parks and Recreation Controls over the Processing of Permits And the Collection of Fees for Athletic and Special Events**

Audit # MG02-117A

Comptroller's Audit Library # 7491

Issued: June 26, 2003

Monetary Effect: None

Introduction

The Department of Parks and Recreation (Parks) maintains a 28,000-acre park system distributed throughout the five boroughs of New York City. Most facilities are available to the public without fees or permits. However, organized sports leagues and schools are required to obtain permits before they use the athletic fields (ballfields) in the parks for activities such as softball, baseball, football, and soccer. Permits are also required for other activities such as tennis, lawn bowling, cricket, volleyball, croquet, lacrosse, and special events.

The audit determined whether Parks had adequate internal controls over the processing of permits and the collection of permit revenue for ballfields, tennis, and special events. The period covered by this audit was Fiscal Year 2002.

Results

Parks had significant internal control weaknesses over the processing of athletic and special event permits. Overall, Parks failed to institute agency-wide controls necessary to ensure that all applicable permit fees are charged, collected, and deposited. Moreover, there were no written procedures regarding the processing of ballfield and special event permits or the collection and deposit of the related fees. The Parks offices involved in issuing permits were decentralized, and each office followed its own procedures and maintained its own records. In addition:

- Many of the computer and manual systems used by Parks had processing and reporting deficiencies.
- The number of permits issued and the amount of permit fees collected were not reconciled. As a result, there were often discrepancies between the amounts that should have been collected and the amounts that were actually collected and deposited.
- The processing functions were not properly segregated. In many instances, the person who processed the applications and permits and recorded the related information also collected the permit fees.
- The Parks offices did not make regular daily or weekly bank deposits. As a result, permit fees remained at some offices for weeks or months before they were deposited.

The audit made 25 recommendations, some of which are listed below. Parks should:

- Prepare and issue uniform written procedures for processing ballfield and special event permits and collecting the fees.

- Upgrade the Class computer system so that cash receipt reports can be generated by each office that list the permits issued and the fees collected. The reports should include the permit numbers, permit holders' names, fee amounts, and payment dates. After the upgrade, Parks should require a daily reconciliation of cash receipts to permits issued.
- Provide the tennis permit issuers-cashiers with the capability to generate reports by permit numbers as well as by receipt numbers. In addition, require them to keep records of computer failures, skipped permit numbers, voids, and other computer-related processing problems so that all permits issued can be accounted for and processing problems can be identified and corrected.
- Require a reconciliation of ballfield and special event permits issued with fees collected. Until the computer systems are upgraded, supervisors should review daily cash receipts data and related reconciliations and sign off on the validity of the information.
- Ensure that all tennis permit issuers perform a daily reconciliation of permits issued and fees collected.
- Ensure that permit issuers are adequately supervised and processing functions appropriately segregated.
- Require that fees be submitted to the cashier daily or weekly and that the cashier deposits fees daily or weekly.

Parks generally agreed with 23 of the 25 recommendations. It disagreed with the recommendation that it provide the tennis issuers-cashiers with the capability to generate reports by permit numbers as well as by receipt numbers and partially disagreed with the recommendation that Parks should require its staff to discontinue the practice of accepting cash in payment for permits, stating it will allow two of its offices to continue accepting cash.

Audit Follow-up

Parks reported that it is in the process of implementing the audit recommendations that it agreed with.

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

Audit # 7A02-150

Comptroller's Audit Library # 7422

Issued: September 9, 2002

Monetary Effect: None

Introduction

In 1998, the New York City Police Department (NYPD) hired Information Builders Inc. (IBI) to upgrade its existing FoxPro application at a cost of \$1,170,770. Although the FoxPro system was a database that contained information on over 500,000 domestic violence cases, individual precincts could not access case information entered by other precincts. The upgraded system is an online, Internet-accessed, centralized database known as the Domestic Violence Tracking System (DVTS). DVTS is designed to assist NYPD officers in effectively addressing and responding to domestic violence situations by capturing information from Domestic Violence Incident Reports.

This audit determined whether the NYPD followed a structured methodology to create the DVTS system, whether DVTS allows for future enhancements and upgrades, whether DVTS meets user needs, and whether users are satisfied with the system. The audit was conducted from March 2002 to June 2002.

Results

DVTS allowed for future enhancements and periodic upgrades. However, the audit's user satisfaction survey indicated that approximately 80 percent of users who responded to the survey would like to see changes made to the system. Moreover, not all needed components of the system were provided or developed. Further, throughout the development of DVTS, the NYPD lacked an independent quality assurance individual. Finally, the NYPD did not ensure that inactive users are eliminated from the system, nor did it have a complete, formally approved Disaster Recovery Plan for DVTS.

The audit recommended that NYPD:

- Ensure that IBI completes the upgrade of the FoxPro application and meets all requirements according to contract terms. The NYPD should also ensure that tasks assigned to its project members are completed.
- Obtain a quality assurance individual to review future system changes and enhancements.
- Meet with system users to ensure that the problems identified in this report are resolved.
- Develop formal security policies and procedures for DVTS that comply with Directive 18.
- Eliminate inactive users, as required by Directive 18.
- Develop a formal Disaster Recovery Plan for DVTS, and ensure that it is tested in accordance with Directive 18.

The NYPD agreed with the audit's recommendations.

Audit Follow-up

NYPD reported that it is in the process of implementing the audit's recommendations.

DEPARTMENT OF PROBATION (DOP)

Audit Report on the Adult Restructuring Tracking System

Audit # 7A03-124

Comptroller's Audit Library # 7499

Issued: June 26, 2003

Monetary Effect: None

Introduction

The Adult Restructuring Tracking System (ARTS) is the Department of Probation's (DOP) primary resource for maintaining records of all its contacts, status changes, and events relating to the supervision of adults on probation. Approximately 300 probation officers use ARTS daily, relying on the system in their supervision of adult probationers. Audit fieldwork was conducted from November 2002 through March 2003.

Results

ARTS met DOP's initial business and system requirements and is included in its disaster recovery plan. However, DOP management is dissatisfied with the reporting capabilities of ARTS. In a letter dated January 31, 2003, to the Comptroller's Office, the Commissioner reported the reasons for DOP's dissatisfaction with ARTS and enumerated many of the system's problems. Attached to the letter was DOP's Strategic Plan for revamping its systems. DOP reported, and the audit confirmed, that ARTS cannot be upgraded or further enhanced and that the system has serious internal control weaknesses, such as inadequate data integrity and weak system-access security.

The audit recommended that DOP:

- Ensure that all new systems developed can be upgraded or enhanced to meet future needs.
- Continue upgrading and migrating its database to a new platform so that transactions may be validated and so that controls that ensure data validity and integrity can be put in place. In addition, DOP should continue its stated effort of cleaning up the current database.
- Delete all inactive, terminated, multiple, and unassigned user IDs.

DOP stated that the audit's findings confirmed those found in its own review of ARTS and agreed with the audit's recommendation

Audit Follow-up

DOP reported that it has taken steps towards implementing the audit's recommendations.

DEPARTMENT OF PROBATION (DOP)

Audit Report on the Department of Probation's Administration of the Restitution Program

Audit # MJ02-140A

Comptroller's Audit Library # 7437

Issued: February 27, 2003

Monetary Effect: None

Introduction

The Department of Probation (DOP) is responsible for supervising probationers by monitoring and enforcing their compliance with the conditions of their probations. DOP collects and disburses restitution payments when restitution is imposed as a special condition of probation. The DOP Central Restitution Unit (CRU) administers the collection, processing, and disbursement of restitution payments and acts as an intermediary between the probationer and the beneficiary. During calendar year 2001, CRU collected \$4,104,763 (59%) of the \$6,962,743 owed by probationers. As of December 31, 2001, CRU had 2,603 active probation cases.

This audit determined whether DOP Central Restitution Unit effectively administers the receipt and disbursement processes for the restitution program. The audit covered calendar years 2001 and 2002.

Results

CRU has adequate internal controls over its receipt and disbursement practices. In addition, CRU's rate of collection of restitution payments has increased significantly since 1997. The rate of restitution payments collected to that owed by probationers increased from 38 percent in calendar year 1997 to 59 percent in 2001, an increase of 21 percentage points.

However, CRU did not follow Comptroller's Directive #11 regarding the dollar limit of checks for which it places stop payments. CRU would have saved \$5,140 (62%) of the \$8,260 it spent for stop payments issued in June 2001 had it limited its stops to checks worth \$25 or more, as required by the directive. CRU also did not have adequate guidelines for its searches for missing beneficiaries who are owed unclaimed restitution funds. The audit found no evidence that searches were performed in six of 25 randomly selected cases reviewed. In addition, the files for the remaining 19 cases had only minimal search information.

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

- Establish a dollar limit, not below \$25, for checks for which the agency issues stop payments, in accordance with Comptroller's Directive #11.
- Use the online method for issuing stop payments to lower the cost of banking fees.
- Set parameters regarding its search efforts to ensure that its resources are being used efficiently.
- Ensure that CRU staff more fully document their efforts to locate missing beneficiaries.

In its response, DOP agreed to implement all of the audit's recommendations.

Audit Follow-up

DOP reported that it is implementing the audit's recommendations.

NEW YORK COUNTY PUBLIC ADMINISTRATOR'S OFFICE (NYCPA)

Audit Report on the Financial and Operating Practices of the New York County Public Administrator's Office

Audit # FP00-190A

Comptroller's Audit Library # 7484

Issued: June 25, 2003

Monetary Effect: None

Introduction

This audit determined whether the New York County Public Administrator's Office (NYCPA) complied with Article 11 of the New York State Surrogate's Court Procedure Act (the Act), the Guidelines of the Administrative Board for the Offices of the Public Administrators, and other applicable federal, State, and City laws, rules, and regulations. The audit covered the period July 1, 1999, to December 31, 2000.

Results

The NYCPA generally complied with many of the provisions of Article 11 of the New York State Surrogate's Court Procedure Act, the Guidelines of the Administrative Board for the Offices of the Public Administrators, and other applicable federal, State, and City laws, rules, and regulations.

However, the NYCPA did not properly manage estate assets, disregarded provisions of the Act and Administrative Board Guidelines (concerning the use of outside vendors and the performance of independent audits), and used the suspense account for inappropriate purposes. In addition, the audit disclosed timekeeping weaknesses that should be corrected.

Specifically, the NYCPA: did not ensure that estate earnings are maximized; did not adequately protect estate assets by allowing estate checking account balances to exceed the Federal Deposit Insurance Corporation's (FDIC) limit; did not comply with Administrative Board Guidelines in its selection and use of outside vendors; and did not ensure that fees charged by the CPA firm it uses to prepare estate tax returns are fair and reasonable. Furthermore, there was no contract or other document that defines the services to be performed by the CPA and the fees to be paid. The NYCPA allowed the CPA to prepare tax returns that contain errors and omissions; neither reports to the IRS nor issues the required IRS form to its vendors when making payments from estate accounts; never had an independent audit performed of its records by an independent certified public accountant, as required by §1109 of the Act; made inappropriate disbursements totaling \$2,441 from the suspense account; and maintained no time records for the Public Administrator and the Deputy Public Administrator.

To address these issues, the audit made 15 recommendations, including that the NYCPA should:

- Comply with all provisions of the New York State Surrogate's Court Procedure Act and the Guidelines of the Administrative Board for the Offices of the Public Administrators, as well as all other applicable federal, State, and City laws, rules, and regulations.

- Ensure that estate earnings are maximized by surveying banks and depositing estate funds in those institutions paying the highest rates of interest.
- Ensure that estate funds are safeguarded. Specifically, ensure that bank accounts do not exceed the FDIC insurance limit.
- Comply with Administrative Board Guidelines with regard to selecting, using, and monitoring outside vendors.
- Discontinue using the current CPA and use the tax services of multiple CPAs. To ensure the quality of services received, the NYCPA should consider a “peer review” system whereby other CPAs periodically review the tax preparation services received by the NYCPA.
- Require that the current or newly selected CPA prepare amended tax returns to correct the errors identified in the report. If the current CPA amends the returns, no additional fee should be incurred.
- Issue IRS Form 1099 to vendors paid with estate funds.
- Contract with an independent CPA to conduct an annual audit of the office in accordance with Generally Accepted Government Auditing Standards, as required by §1109 of the Act.
- Ensure that the funds in the suspense account are used only for purchases allowable under the Guidelines. In this regard, all payments to the Public Administrator should be only for reimbursements of allowable expenses, and those expenses should be documented.

In its response, the NYCPA took exception with many of the audit findings, but indicated that steps have been taken to enhance estate management practices and adherence to the City's time and leave regulations.

Audit Follow-up

The NYCPA reported that it has addressed 13 of the audit's recommendations.

NYCPA, however, continues to disagree with the recommendation to use the tax services of multiple CPAs and also reported that it does not have the resources to pay for an independent audit.

QUEENS COUNTY PUBLIC ADMINISTRATOR (QCPA)

Audit Report on the Financial and Operating Practices of the Queens County Public Administrator's Office

Audit # MD03-094A

Comptroller's Audit Library # 7458

Issued: May 9, 2003

Monetary Effect: None

Introduction

The Queens County Public Administrator's Office (PA) is responsible for administering the estates of individuals in Queens who die intestate (without a will) and leave no heirs or when heirs are not qualified or are unwilling to administer the estate. The PA makes funeral arrangements, collects debts, pays creditors, manages the decedents' assets, files appropriate tax returns, and searches for possible heirs. As of July 1, 2002, the PA administered 943 estates valued at more than \$38.2 million.

This audit determined whether the PA complied with Article 11 of the New York State Surrogate's Court Procedure Act (the Act), the Report and Guidelines of the Administrative Board for the Offices of the Public Administrators (Administrative Board Guidelines), and other applicable City and State laws and regulations. The audit covered Fiscal Year 2002 (July 1, 2001, to June 30, 2002).

Results

The PA generally adhered to procedures of the Act, Administrative Board Guidelines, and its own guidelines and procedures. However, the audit identified problems related to certain practices. Specifically, the PA: underreported \$31,547 of miscellaneous income to the IRS and did not include all required information on the 1099-MISC forms; underestimated the values of the estates reported to the Surrogate's Court by \$7.5 million; did not document in its computerized inventory all of the items brought from the decedents' residences — the items not recorded had appraised values totaling \$1,638; did not comply with Administrative Board Guidelines during some residence searches.

Although the dollar amounts of the above-mentioned findings may not have been material in relation to the total dollar value of PA assets, if the PA does not resolve problems with its procedures, it may have to deal with problems of a greater magnitude in the future.

To address these issues, the audit made seven recommendations that include the following. The PA should ensure that:

- All required information, including the Tax Identification Number, is reported for each 1099-MISC form issued.
- It includes the correct values of all estates' properties in its semi-annual reports to the Surrogate's Court.
- All decedents' assets are recorded in its computerized inventory system.

- It complies with the Administrative Board Guidelines for searching decedents' residences.
PA officials generally agreed with the audit's overall assessments and recommendations.

Audit Follow-up

The PA reported that it has implemented procedures to correct all the deficiencies reported in the audit.

DEPARTMENT OF RECORDS AND INFORMATION SERVICES

Audit Report on the Management and Safeguarding of City Records and Historical Archives by the Department of Records and Information Services

Audit # MH02-160A

Comptroller's Audit Library # 7440

Issued: March 6, 2003

Monetary Effect: None

Introduction

The Department of Records and Information Services (Department of Records) is responsible for managing, processing, and preserving records and other materials in its custody produced by past and present City governments. This audit determined whether the Department of Records and Information Services adheres to existing laws, regulations, standards, and its own procedures pertaining to its responsibilities for those materials.

The Department of Records has three divisions: the Municipal Records Management Division (Records Management), the Municipal Archives Division (Municipal Archives), and the Municipal Reference and Research Center (the Reference Center). Each division is responsible for establishing its own procedures, standards, and techniques for the care of materials in its custody. Audit fieldwork covered the period February 11, 2002, through July 25, 2002.

Results

The Department of Records generally manages and safeguards satisfactorily the City records and historical archives in its care. However, the audit noted certain conditions and weaknesses that the Department of Records must address. Specifically, the Department of Records did not maintain either updated written procedures for the transfer and lending of materials to outside organizations or a comprehensive policies and procedures manual for its Municipal Archives division. Also, the policies and procedures manual for Records Management and the Reference Center had not been updated. In addition, the Department of Records has an ongoing problem with limited storage capacity at its storage facilities and has some environmental and security concerns at its Brooklyn storage facility, including broken and poorly insulated windows, missing window shades, leaking pipes, and unlocked doors, that could pose a threat to materials stored at the facility. The Department of Records also permitted the Reference Center to store depository items in public access areas. In addition, the Department of Records did not require the Reference Center to have a central database of all materials and to update its shelf-list to accurately reflect its holdings.

To address these issues, the report made 14 recommendations. Some of the major recommendations included that the Department of Records should:

- Develop written procedures pertaining to the transfer and lending of materials to outside organizations.
- Ensure that Municipal Archives develops a comprehensive policies and procedures manual that addresses all processes and functions involved in the management of historical archives,

including environmental controls, housekeeping, disaster preparedness, security, and the transfer, lending, and safeguarding of historical documents.

- Ensure that Records Management and the Reference Center revise their policies and procedures manual to include environmental controls, housekeeping, disaster preparedness, security, and the safeguarding of historical documents. In addition, each manual should be periodically reviewed and updated to reflect current policies and procedures.
- Ensure that broken and poorly insulated windows, window shades, and leaking pipes are repaired or replaced at the Brooklyn facility.
- Review existing environmental needs and controls in its storage facilities and devise a plan to improve these conditions, especially in areas housing extremely delicate, old, unique, and irreplaceable documents and materials.
- In the Reference Center, ensure that all depository items are removed from public access areas and stored in non-public areas.
- Meet with the building management of the Brooklyn facility to discuss and develop security procedures for safeguarding of City records and archives kept there.

The Department of Records agreed with 13 of the recommendations made in this audit; however, it disagreed with the recommendation that the Municipal Archives develop a comprehensive policies and procedures manual. The Department of Records stated that the Municipal Archives already had separate policies and procedures in force for the Municipal Archives collection.

In addition, the Rudolph W. Giuliani Center for Urban Affairs submitted written comments dealing with the transfer of the Giuliani papers to the Center. In consideration of comments made both the Department of Records and the Giuliani Center, we made modifications to the report.

Audit Follow-up

The Department of Records reported that 13 recommendations have been implemented or are in the process of being implemented.

RETIREMENT SYSTEMS

Audit Report on Pedagogical Pensioners of the New York City Teachers' Retirement System Working for the City after Retirement, January 1, 2001-December 31, 2001

Audit # FL 03-126A

Comptroller's Audit Library # 7509

Issued: June 30, 2003

Monetary Effect: Potential Savings: \$227,575

Introduction

This audit determined whether any New York City Teachers' Retirement System (TRS) pedagogical pensioners 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 2001.

Results

Twenty-six TRS retirees obtained \$227,575 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.

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

Audit Follow-up

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

RETIREMENT SYSTEMS

Pensioners of the New York City Police Department Pension Fund Working for the City after Retirement, January 1, 2000-December 31, 2001

Audit # FL 03-127A

Comptroller's Audit Library # 7473

Issued: June 10, 2003

Monetary Effect: Potential Savings: \$120,672

Introduction

This audit determined whether any New York City Police Department Pension Fund (POLICE) 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 years 2000 and 2001.

Results

Eleven POLICE retirees obtained \$120,672 in pension payments that appeared to be in violation of applicable laws and regulations.

The report made six recommendations, specifically that POLICE officials:

- Investigate the individuals identified as concurrently receiving a pension while being re-employed in public service. POLICE officials should also commence prompt recoupment action against those individuals found to be illegally collecting pensions.
- Forward to the Department of Investigation, if the circumstances warrant such action, the names of 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.

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

Audit Follow-up

POLICE reported that the audit recommendations have been implemented.

RETIREMENT SYSTEMS

Pensioners of the New York City Fire Department Pension Fund Working for the City after Retirement January 1, 2000-December 31, 2001

Audit # FL 03-128A

Comptroller's Audit Library # 7502

Issued: June 23, 2003

Monetary Effect: Potential Savings: \$77,533

Introduction

This audit determined whether any New York City Fire Department Pension Fund (FIRE) 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 years 2000 and 2001.

Results

Five FIRE retirees obtained \$77,533 in pension payments that appeared to be in violation of applicable laws and regulations.

The report made six recommendations, specifically that FIRE officials:

- Investigate the individuals identified as concurrently receiving a pension while being re-employed in public service. FIRE 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.

FIRE officials either agreed to implement or stated that FIRE was already in the process of implementing four of the audit's six recommendations. For two recommendations—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—FIRE officials stated that these recommendations were beyond the scope of the Fire Department.

Audit Follow-up

FIRE reported that it has implemented the four recommendations that it agreed with.

RETIREMENT SYSTEMS

Audit Report on New York City Pensioners Working for New York State after Their Retirement

Audit # FL 03-129A

Comptroller's Audit Library # 7514

Issued: June 30, 2003

Monetary Effect: Potential Savings: \$348,734

Introduction

This audit determined whether any New York City pensioners from the New York City Teachers' Retirement System (TRS), the New York City Police Department Pension Fund (POLICE), and the New York City Fire Department Pension Fund (FIRE) 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 New York State Retirement and Social Security Law § 210 through § 216, or New York City Charter § 1117, during calendar years 2000 and 2001.

Results

Twenty-four individuals from TRS, POLICE, and FIRE obtained \$348,734 in pension payments during 2000 and 2001 that appear to be in violation of applicable laws and regulations. Three of the 24 individuals received improper pension payments in both 2000 and 2001.

The breakdowns for the three New York City retirement systems are as follows:

Retirement System	Service Retirees	Disability Retirees	Total Retirees	Improper Pension Payments
TRS	6	0	6	\$ 51,238
POLICE	5	9	14	221,966
FIRE	<u>1</u>	<u>3</u>	<u>4</u>	<u>75,530</u>
Total	<u>12</u>	<u>12</u>	<u>24</u>	<u>\$ 348,734</u>

The report recommended that the retirement systems:

- Investigate those individuals identified as concurrently 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.
- 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 New York governmental 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.

TRS and POLICE officials agreed with the audit’s findings and recommendations.

FIRE officials either agreed to implement or stated that FIRE was already in the process of implementing four of the audit’s six recommendations. However, FIRE officials believe that the remaining two recommendations—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—are beyond the scope of the Fire Department.

Audit Follow-up

TRS reported that it is in compliance with the audit’s recommendations.

POLICE reported that it has investigated the 14 retirees identified in the audit and has determined that 12 retirees were found to be in violation. POLICE will begin recoupment procedures during calendar year 2004. The remaining recommendations are being implemented.

FIRE reported that it has implemented the four recommendations that it agreed with.

ROOSEVELT ISLAND OPERATING CORPORATION (RIOC)

Audit Report on the Efforts of the Roosevelt Island Operating Corporation to Maintain and Rehabilitate the Landmarks on Roosevelt Island

Audit # MJ03-108A

Comptroller's Audit Library # 7488

Issued: June 25, 2003

Monetary Effect: None

Introduction

Roosevelt Island (Island), considered part of the borough of Manhattan, is a mixed-income urban community encompassing 147 acres in the East River between Manhattan and Queens. The Roosevelt Island Operating Corporation (RIOC) is a public benefit corporation created in 1984 to be responsible for the operation, security, and maintenance of the Island. The audit covered the period January 1994 through March 2003.

This audit determined whether RIOC maintained, or caused to be maintained, the landmarks in the open space areas on the Island; and whether RIOC attempted to obtain financing for landmarks rehabilitation as well as the extent to which such rehabilitation took place.

Results

RIOC took some steps to maintain or stabilize four of the Island's five landmarks. The Lighthouse and Strecker Laboratory have been rehabilitated and appeared to be well maintained. RIOC has taken steps to maintain Blackwell House in recent months. Finally, a private developer began removing debris from the Octagon Tower pending future rehabilitation efforts. (Subsequent to the audit scope period, RIOC took some preliminary steps to stabilize the Smallpox Hospital.)

RIOC has also made some efforts to obtain financing to rehabilitate all five landmarks. Currently, two—the Lighthouse and Strecker Laboratory—have been rehabilitated, and financing has been identified to rehabilitate another two—Blackwell House and the Octagon Tower. These two are scheduled for rehabilitation, pending approval. There were plans to rehabilitate the remaining landmark, the Smallpox Hospital, but they fell through when the project associated with the rehabilitation was cancelled.

The audit made three recommendations. RIOC should:

- Abide by its contractual obligations and stabilize the Smallpox Hospital after the engineering study is completed.
- Continue its recent policy to ensure that any project to rehabilitate Island landmarks and to develop the open space areas fully complies with the recent State legislation and with provisions of the City lease and General Development Plan (GDP).
- Obtain approval from the City to amend the GDP before entering into any binding contracts with developers if RIOC desires to seek development in areas not currently allowed by the City lease.

In its response, RIOC agreed with the audit recommendations.

Audit Follow-up

RIOC reported that it has taken steps towards implementing the audit's recommendations.

DEPARTMENT OF SANITATION (DOS)

Audit Report on the Department of Sanitation's Administration of Its Fiduciary Accounts,
January 1, 2002, through December 31, 2002

Audit # FM03-144A

Comptroller's Audit Library # 7498

Issued: June 24, 2003

Monetary Effect: Actual Revenue: \$2,057,200

Introduction

Fiduciary accounts are used to record financial resources held and administered in trust by the City of New York, the principal and income of which benefit individuals, private organizations, or other non-City government entities. The strictly custodial nature of these assets prohibits the use of fiduciary funds in the direct support of any of the City's own programs. The Comptroller's Office, in conjunction with the Mayor's Office of Management and Budget, establishes fiduciary accounts at the request of various organizations, including City agencies and public benefit corporations. Each account is maintained and controlled by the entity that requested its establishment.

According to the City's Financial Management System, two fiduciary accounts have been established for the Department of Sanitation (DOS)—the Special Events Clean-Up account and the Impoundment and Storage Fees account.

The Special Events Clean-Up account contains funds received from sponsors of street festivals, fairs, block parties, or other events held on City streets. According to the fiduciary agreement, these funds are to be used to reimburse the City for DOS's costs for providing this service. Although the Impoundment and Storage Fees account was listed on FMS, Department officials were unaware of its existence.

The audit reviewed whether DOS had adequate controls over the billing, collecting, depositing and disbursing of funds from its two fiduciary accounts.

Results

DOS has adequate controls over the billing, collecting, depositing, and disbursing of funds deposited in the Special Events Clean-Up account. However, because DOS was unaware that the Impoundment and Storage Fees account existed, the account remained dormant, and DOS did not transfer the balance to the City Treasury's general fund (general fund). In addition, DOS did not ensure that funds deposited in the Special Events Clean-Up account were used in accordance with the fiduciary account agreement, which called for the transfer of funds to the general fund to reimburse the City for the cost of event clean-ups. As a result of the audit, DOS transferred \$1,788,040 million of the \$1,998,739 from the Special Events Clean-Up account and \$19,460 from the Impoundment and Storage Fees account to the City Treasury's general fund.

Finally, the audit disclosed that six sponsors of events were not required to pay for costs incurred by the City to clean up after their events. However, there are no provisions in the Rules of the City of New York for the waiving of clean-up fees, nor does the City have guidelines for determining which events qualify for the waiving of these fees.

The report recommended that DOS:

- Determine how much of the \$210,699 balance in the Special Events Clean-Up Account pertains to events for which the Department has incurred clean-up costs and transfer the appropriate amount to the general fund. Appropriate amounts should be transferred at least annually.
- Seek an opinion from the Law Department on the propriety of transferring funds from the Impoundment and Storage Fees to the general fund. If the Law Department decides that it is appropriate to transfer the funds, DOS should request that the Comptroller's Bureau of Accountancy close the Impoundment and Storage Fees account and process the transfer.
- Seek an opinion from the Law Department on the propriety of waiving clean-up fees for special events. If the Law Department determines that it is appropriate to waive fees, DOS, in conjunction with the Mayor's Street Activity Permit Office, should establish guidelines for determining which events qualify for such waivers.

DOS officials agreed with the audit's findings and described the steps that have been or will be taken to address the recommendations.

Audit Follow-up

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

On July 30, 2003, the balance of \$249,700 was transferred to the general fund.

The Impoundment and Storage Fees account was closed out by the end of fiscal year 2003.

The Mayor's Community Assistance Unit (CAU) reported that after consulting with the Law Department, the Street Activity Permit office will no longer authorize the waiving of sanitation fees for any event permitted by this office.

DEPARTMENT OF SANITATION (DOS)**Audit Report on the Potential Savings from Civilianizing Positions in the Department of Sanitation**

Audit # MH03-078A

Comptroller's Audit Library # 7462

Issued: May 21, 2003

Monetary Effect: Actual Savings: \$ 327,000

Potential Savings: \$5.473 million

Introduction

This audit of the Department of Sanitation (DOS) reviewed opportunities for savings from civilianizing administrative and support positions. For Fiscal Year 2003, the period covered by the audit, the operating budget for DOS totaled \$959.3 million, including \$592.3 million for Personal Services and \$367.0 million for Other Than Personal Services Costs.

The workforce of DOS consisted of approximately 7,500 uniformed and 2,100 civilian employees—a total of approximately 9,600 employees. DOS has three uniformed civil service titles: Sanitation Worker, Sanitation Supervisor, and General Superintendent. The audit focused on 16 work units where 446 uniformed personnel are assigned to support or administrative positions.

The objectives of this audit were to: determine the number of uniformed personnel that DOS assigned to civilian positions; and calculate the annual cost savings that DOS could achieve by civilianizing positions currently held by uniformed personnel.

Results

Based on a review of 16 DOS work units, the audit determined that DOS could save \$5.8 million annually if 313 positions identified in this audit that are now filled by uniformed employees were filled instead by civilian civil service employees.

These 313 positions—filled by 242 Sanitation Workers, 63 Supervisors, and eight GS-Level 1 employees—were identified as having functions not directly related to sanitation activities per se and not requiring the skills of trained uniformed sanitation employees. As uniformed personnel resign, retire, or otherwise leave DOS, lower cost civilian personnel could be hired or transferred to these units to begin to assume some of the civilian-type functions that are currently performed by uniformed officers.

The audit recommended that DOS civilianize the 313 positions. The audit also recommended that DOS conduct a comprehensive review of all other units to identify additional positions suitable for civilianization that could generate cost savings.

DOS agreed with the audit's recommendations. However, it disagreed with the audit's assertions that DOS civilianization reviews are occasional and non-systematic and that the experience and greater flexibility afforded by uniformed personnel being assigned to administrative duties does not justify keeping them in those positions.

Audit Follow-up

DOS reported that the audit’s recommendations are being implemented. A total of 47 positions have been determined to be appropriate for civilianization, which represents an estimated \$327,000 in savings. In addition, DOS continues to conduct comprehensive reviews to identify additional positions suitable for civilianization.

**DEPARTMENT OF SMALL BUSINESS SERVICES (DSBS) FORMERLY KNOWN AS
DEPARTMENT OF BUSINESS SERVICES (DBS)**

Audit Report on the Financial and Operating Practices of the 125th Street Business Improvement District

Audit # MD03-057A

Comptroller's Audit Library # 7450

Issued: April 10, 2003

Monetary Effect: None

Introduction

The 125th Street Business Improvement District (BID) is funded by special assessments levied against district property owners and uses these moneys to enhance and promote the district. The Department of Business Services (DBS) supervises and oversees the 125th Street BID. In Fiscal Year 2001, the period covered by this audit, the BID had revenues of \$475,074 and expenditures of \$524,009.

This audit determined whether the 125th Street BID provided services called for in its District Plan and complied with provisions of its DBS contract. The audit also evaluated the adequacy of the BID's internal controls over its funds and operations.

Results

The BID provided services and introduced a variety of programs and projects, as required in its District Plan. The BID was also in compliance with its DBS contract provisions on insurance coverage, submission of reports, and the bidding process in the selection of outside vendors. In addition, BID transactions appeared to be ordinary and reasonable.

However, the BID operated at a loss for four of the five previous years and was depleting its net assets. The BID needed to obtain a \$100,000 revolving line of credit, at an interest rate of 7.75 percent, to help it meet expenses. Moreover, the BID paid bills late or only partially paid bills because of its lack of funds. In addition, there were some weaknesses in the BID's internal controls relating to segregation of duties, handling of checks, and recording of transactions.

The report made eight recommendations that included the following:

- BID officials should pay its bills on a timely basis.
- BID officials should monitor and control the BID's spending patterns.
- The Board of Directors should monitor the BID's rate of spending.
- BID officials should ensure that bank reconciliations are performed on a consistent and accurate basis.

Although BID officials disagreed with some of the audit's conclusions, they agreed to implement the report's recommendations.

Audit Follow-up

The BID reported that all of the audit recommendations have been implemented.

**DEPARTMENT OF SMALL BUSINESS SERVICES (DSBS) FORMERLY KNOWN AS
DEPARTMENT OF BUSINESS SERVICES (DBS)**

Audit Report on the Financial and Operating Practices of the Jamaica Center Mall Special Assessment District

Audit # ME03-140A

Comptroller's Audit Library # 7464

Issued: May 28, 2003

Monetary Effect: None

Introduction

The Jamaica Center Mall Special Assessment District (SAD), created by New York State in 1978, offers supplemental sanitation, marketing, and promotion services to its Jamaica, Queens district. In Fiscal Year 2002, the period covered by this audit, the SAD had revenues of \$546,000 and expenditures of \$445,000.

The audit determined whether the SAD provided the services proposed in its District Plan, assessed SAD compliance with key terms of its contract with the Department of Business Services (DBS), and evaluated the adequacy of the SAD's internal controls over its funds and operations.

Results

The Jamaica Center Mall SAD provides most of the supplemental services and special events proposed in its District Plan. The SAD maintains complete and accurate financial records, submits annual reports to DBS, and has its annual financial statements certified by an independent certified public accountant, as required by its contract with DBS. However, the SAD was unaware of a missing payment from DBS, had uninsured deposits, did not adequately safeguard assets, and lacked dual signatures on checks. Also, the SAD does not conduct frequent surveys of member satisfaction.

To address these issues, the audit made seven recommendations, including recommendations that the Jamaica Center Mall SAD:

- Enroll in the Electronic Funds Transfer (EFT) program offered by DBS.
- Place its deposits exceeding \$100,000 in collateralized accounts.
- Conduct more frequent (e.g., annual) surveys of member satisfaction.
- Consider providing supplemental security services.

The Jamaica Center Mall SAD agreed with the audit's recommendations.

Audit Follow-up

The Jamaica Center Mall SAD reported that it has implemented four recommendations, is in the process of implementing two recommendations, and that one recommendation is not applicable.

The SAD stated that since it automatically receives the full budget amount in advance, it is no longer necessary to reconcile the amounts received to the amounts recorded on the Activity Reports.

DEPARTMENT OF SMALL BUSINESS SERVICES (DSBS) FORMERLY KNOWN AS DEPARTMENT OF BUSINESS SERVICES (DBS)

Audit Report on the Financial and Operating Practices of the Fulton Mall Special Assessment District

Audit # MG03-062A

Comptroller's Audit Library # 7438

Issued: February 28, 2003

Monetary Effect: None

Introduction

The Fulton Mall Special Assessment District (SAD), created by New York State in 1976, offers supplemental sanitation, security, marketing, and promotion services, and capital improvements to its downtown Brooklyn district. In Fiscal Year 2001, the period covered by this audit, SAD had revenues of \$1,458,830 and expenditures of \$1,559,560.

The audit determined whether the SAD provided the services called for in its District Plan, assessed SAD compliance with key terms of its contract with the Department of Business Services (DBS), and evaluated the adequacy of SAD internal controls over its funds and operations.

Results

The Fulton Mall SAD provided supplemental services and special events as required in its District Plan. The SAD maintained complete and accurate financial records, submitted annual reports to DBS, and had its annual financial statements certified by an independent certified public accountant, as required by its DBS contract. However, the Fulton Mall SAD expenditures exceeded revenues in Fiscal Years 1998, 1999, 2000, and 2001. As a result, it operated at a loss for four of the previous five years.

In addition, during Fiscal Years 1998 through 2001, the SAD had funds on deposit that were not covered by FDIC insurance; did not maintain an inventory of its equipment; had no written personnel policies; did not maintain daily time records for its employees; and did not keep track of employees leave balances. The SAD also had weaknesses in internal controls and corporate governance, as on several occasions, the former Executive Director acted without approval of the Board members.

The audit made 17 recommendations, some of which are listed below. The Fulton Mall SAD should:

- Better manage SAD funds and expenditures to ensure that expenditures do not continue to exceed revenues and budgets.
- Place its funds in collateralized accounts.
- Develop written personnel procedures that clearly detail personnel policies and employment benefits.
- Maintain an accurate daily time-record system for its staff that includes attendance, annual and sick leave use, and tardiness.
- Maintain a log of employee annual and sick leave balances.
- Maintain inventory records and perform physical inventories periodically.

In addition, the audit recommended that the Fulton Mall SAD Board:

- Ensure that they are well aware of and informed about all SAD activities, regardless of how much authority they give the SAD management.
- Monitor the SAD's rate of spending.

Fulton Mall SAD officials responded that they were in the process of hiring a new Executive Director, who would be responsible for instituting procedures relating to five of the 17 audit recommendations. SAD officials generally agreed with the remaining 12 audit recommendations.

Audit Follow-up

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

**DEPARTMENT OF SMALL BUSINESS SERVICES (DSBS) FORMERLY KNOWN AS
DEPARTMENT OF BUSINESS SERVICES (DBS)**

Audit Report on the Financial and Operating Practices of the Times Square Business
Improvement District

Audit # MG03-099A

Comptroller's Audit Library # 7441

Issued: March 21, 2003

Monetary Effect: None

Introduction

The Times Square Business Improvement District (BID) is funded by special assessments levied against district property owners and uses these moneys to enhance and promote the district. The Department of Business Services (DBS) supervises and oversees the Times Square BID. In Fiscal Year 2001, the period covered by this audit, the BID had revenues of \$7,928,454 and expenditures of \$7,792,671.

The audit determined whether the BID provided the services called for in its District Plan, assessed BID compliance with key terms of its contract with DBS, and evaluated the adequacy of BID internal controls over its funds and operations.

Results

The Times Square BID provides supplemental services, such as sanitation, security, social services and promotion, as well as additional services, called for in its District Plan. The BID generally complies with the key provisions of its contract with DBS. The BID maintains complete and accurate financial records, submits annual reports to DBS, and has its annual financial statements certified by an independent accountant. The BID also complies with the procurement procedures of its contract.

In addition, the BID maintains adequate accountability over its receipts and disbursements; has an adequate segregation of duties; and properly records and authorizes transactions. The BID has no major weaknesses in corporate governance. However, there was a weakness in the BID's internal control system concerning the safeguarding of assets. Specifically, the BID had funds on deposit that were not covered by FDIC insurance, and it did not maintain an inventory listing of its equipment. In addition, during Fiscal Year 2001, the BID did not maintain daily time records for its central staff. Consequently, we were unable to determine the number of hours that these employees worked. As of January 2002, central staff are required to fill out and hand in weekly timesheets.

The audit made the following three recommendations. The Times Square BID should:

- Place its funds in collateralized accounts.
- Maintain inventory records and perform physical inventories periodically.
- Continue to require its central staff to submit weekly timesheets.

In its response, Times Square BID officials generally agreed with the audit's findings and observations.

Audit Follow-up

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

DEPARTMENT OF TRANSPORTATION (DOT)

Audit Report on the Oversight of Private Ferry Operators by the Department of Transportation

Audit # MD03-064A

Comptroller's Audit Library # 7487

Issued: June 24, 2003

Monetary Effect: Potential Revenue: \$2.4 million

Introduction

This audit determined whether the Department of Transportation (DOT) ensured that the private ferry operators complied with the requirements of their Temporary Ferry Permit (Permit) and Landing Slot License Agreement for Ferry Services (License Agreement). In addition, it determined whether DOT ensured that: private ferry operators correctly paid their permit and landing fees and security deposits and provided a safe environment at the City-owned (City) ferry-landing sites (ferry landings); and landing fees collected were used for the maintenance and repairs of the City ferry landings.

Both DOT and the New York City Economic Development Corporation (EDC) are involved with private ferry services. DOT sets the landing fees and insurance requirements for the private ferry operators, and bills and collects permit fees. EDC bills and collects landing fees and security deposits and maintains the City ferry landings, making emergency and other repairs and, when requested by DOT, structural and capital improvements. The period covered by this audit was Fiscal Year 2002.

Results

DOT ensured that private ferry operators generally complied with the provisions of their Permits and License Agreements. However, the audit disclosed certain weaknesses, some of which are:

- Private ferry operators were not billed by DOT for all their scheduled landings, which resulted in an estimated \$1.3 million in lost annual City revenue.
- Landing fees have not been increased in more than 20 years. If increased as suggested by the audit, these landing fees could generate as much as \$1.1 million in additional annual revenue.
- Private ferry operators are operating with expired Permits and License Agreements.
- There were concerns about the safety of some of the City ferry landings—the gates leading to the ramps and barges remained open after the private ferries departed from their landings.
- There were questionable EDC expenditures, totaling \$83,340, that were either not related to the maintenance and repair of the City ferry landings or that were not reasonable.

The audit made 16 recommendations, the most significant of which were that DOT should:

- Coordinate with the Office of Management and Budget (OMB) to consider whether the revenue associated with ferry License Agreements should be transferred into the City General Fund.

- Ensure that all private ferry operators are billed for all scheduled landings currently in effect.
- Recoup all unbilled landing fees from private ferry operators.
- Consider increasing its landing fees.
- Ensure that all Permits and License Agreements are complete, updated, and renewed immediately upon their expiration dates.
- Ensure that the gates leading to the ramps and barges of all City ferry landings are locked at all times after the private ferries depart from the landings.

DOT officials generally agreed with the audit’s findings and recommendations.

Audit Follow-up

DOT reported that 10 recommendations have been implemented, five recommendations are in process, and one recommendation will not be implemented.

DOT disagrees with the recommendation to coordinate with OMB to consider transferring revenue associated with License Agreements into the City General Fund.

DEPARTMENT OF TRANSPORTATION (DOT)

Audit Report on Monitoring and Controls over the Red Light Camera Program by the New York City Department of Transportation

Audit # MH03-117A
Comptroller’s Audit Library # 7461
Issued: May 21, 2003
Monetary Effect: None

Introduction

This audit reviewed the Department of Transportation’s (DOT) monitoring and controls over the Red Light Camera Program and the processing and issuance of Notices of Liability (NOL). The Red Light Camera Program records vehicles that run red lights at 50 key intersections throughout the five boroughs. Mulvihill Integrated Control Solutions, Inc., (Mulvihill) is the primary contractor for the Red Light Camera Program and is responsible for servicing and maintaining all of the red-light cameras and related equipment. During Fiscal Year 2002, the period covered by the audit, DOT’s total budget for the Red Light Camera Program was \$7.9 million, including both Personal Services and Other Than Personal Services budgets.

Results

The Red Light Camera Program has proven to be an effective deterrent to motorists who ignore traffic-control signals. According to DOT statistics, since December 1993 the locations where red light cameras have been installed have shown a 41 percent decline in red-light violations. As reflected in our audit, one of the major reasons for the program’s success is DOT’s effectiveness in managing and developing the program.

This audit determined that DOT effectively monitors Mulvihill’s performance. Audit testing indicated that Mulvihill is doing a satisfactory job in providing for the uninterrupted, accurate, and continuous operation of the red-light cameras and equipment. Also, Mulvihill has continued to meet or exceed its contract obligations in providing daily readable and useable films or digital CDs to DOT for processing.

This audit also determined that DOT maintains adequate controls over the Red Light Camera Unit’s processing and issuance of Notices of Liability (NOL) to ensure that only enforceable NOLs are issued. This is reflected by the fact that in 2002 only 11,687 (15.5 percent) of the total 344,307 NOLs issued were appealed by motorists. Only 15.5 percent (1,811) of those NOLs appealed were deemed unenforceable and were dismissed. Moreover, nearly 85 percent of all motorists issued NOLs remit the fines without an appeal.

Since the audit identified no material weaknesses in either DOT’s monitoring and controls over the Red Light Camera Program or in Mulvihill’s performance under the contract, the audit made no recommendations.

DEPARTMENT OF TRANSPORTATION (DOT)

Audit Report on the Performance of the New York City Department of Transportation’s Pothole Repair Program

Audit # MJ02-119A
Comptroller’s Audit Library # 7426
Issued: November 14, 2002
Monetary Effect: None

Introduction

The mission of the Department of Transportation (DOT) is to provide for the safe and efficient movement of people and goods in the City and to maintain and enhance the City’s transportation infrastructure. DOT goals include the rehabilitation and maintenance of the City’s bridges, tunnels, and streets. Street “defects” comprise various categories, including potholes. The DOT Street and Arterial Highway Maintenance division (SAM) is responsible for repairing street defects. For Fiscal Year 2002, the Mayor’s Management Report (MMR) reported that DOT repaired 101,280 potholes citywide.

This audit determined whether DOT addresses pothole complaints within the agency's goal-related time frame. This audit also assessed the reasonableness of that time frame. The period covered by this audit was Fiscal Years 2001 and 2002.

Results

DOT lacks a useful standard for guiding its pothole repair operations and measuring its performance. DOT has an informal standard—to complete 65 percent of repair orders within 30 days—but this is used only for reporting purposes in the Mayor's Management Report (MMR). Therefore, DOT has no benchmark to guide its operations to ensure that all potholes are repaired in a timely manner and to ensure that pothole repair orders do not remain open for lengthy periods of time.

As far as actual performance is concerned, DOT completed 1,774 (99%) of the 1,788 sampled pothole repair orders in 57 days on average. (The remaining 14 were still open as of April 16, 2002.) The number of days that the completed repair orders had been open ranged from one to 2,494 (seven years).

There are several weaknesses in DOT's management of pothole repairs. DOT does not prioritize the repair of reported defects based on their age. As a result, some potholes are allowed to remain unrepaired for years. By not prioritizing the repair of reported potholes by age, DOT increases the risk that personal injury or property damage may occur at potholes that remain unrepaired for long periods of time.

DOT staff members do not update FITS (Field Information Tracking System) on a timely basis to ensure that all completed repairs are recorded. As a result, on the five occasions when auditors accompanied work crews, auditors observed that 34 percent of the repair orders assigned to them had already been completed. Furthermore, 38 (30%) of the 126 potholes that crews repaired were not recorded on FITS the next day.

Some repairs are counted more than once in DOT's pothole productivity figures. According to information recorded in FITS and on work crews' gang sheets, some repair orders were closed several times and were therefore double- or triple-counted as repairs. In addition, temporary repairs are entered in FITS as completed repairs. As FITS is the only source for the productivity figures that are reported to the public in the MMR, the accuracy of DOT's publicly reported must be questioned.

The audit made eight recommendations, four of which are listed below. DOT should:

- Establish an operational standard for completing all pothole repairs (not just the 65 percent covered by the current MMR-reporting standard) within a specific period of time and gear operations to meet that goal.
- Prioritize pothole repair orders by age, when feasible.
- Ensure that work crews record all completed pothole repairs, including "pick-ups" (defects identified on the spot by crews), on their gang sheets.
- Modify FITS so that personnel cannot enter additional data for closed repair orders.

In its response, DOT generally agreed with the audit’s recommendations. However, it disagreed with the audit’s finding regarding DOT’s lack of a useful time standard to guide its pothole repair program.

Audit Follow-up

DOT reported that six recommendations have been implemented, that one recommendation is not applicable, and that it disagrees with one recommendation.

DOT stated that the recommendation to prioritize pothole repair orders by age is not applicable since DOT takes into account several criteria when assigning its pothole repair orders including location, age, and severity of the condition of the potholes.

DOT continues to disagree with the finding and recommendation that it does not have an operational standard for completing all pothole repairs.

SECTION II

NON-GOVERNMENT AUDITS

CLAIMS

During Fiscal Year 2003, audit reports were issued on 11 claims totaling \$24,179,452 filed against the City. The audit-accepted amount for these 11 claims totaled \$1,948,074. This resulted in a potential cost avoidance of \$22,231,378, as shown below:

Total Claim Amount	\$ 24,179,452
Less: Audited Accepted Amount	\$ 1,948,074
Potential Cost Avoidance	\$ 22,231,378*

*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 11 claims follows:

AUDIT NUMBER	CLAIMANT	DATE ISSUED	CLAIM AMOUNT	AUDIT ACCEPTED AMOUNT	DISPOSITION SETTLEMENT AMOUNT
FP03-101A	Claim – Hussain A. Ahmed	11/22/02	*	*	*
FP03-105A	Claim – Brian S. Crockwell, Inc.	12/20/02	*	*	*
FP03-098A	Claim – H & M Hecker, P.T., P.C.	01/10/03	*	*	*
FP03-132A	Claim – Hertz Furniture Systems Corp.	01/16/03	*	*	*
FP03-110A	Claim – Certified Electrical Contracting Corp.	02/06/03	*	*	*
FP03-153A	Claim – Sikanib G. Contracting, Inc.	03/10/03	*	*	*
FP03-097A	Claim – Eugene Iovine, Inc.	03/18/03	*	*	*
FP03-160A	Claim – Bulldog Construction II LTD	06/16/03	*	*	*
FP02-183A	Claim – Alternative Resources Corp.	06/19/03	*	*	*
FP03-168A	Claim – Computer Service Center, Inc.	06/19/03	*	*	*
FP03-177A	Claim – New York Environmental & Material Testing Laboratories, Inc.	06/25/03	*	*	*
	FISCAL YEAR 2003 TOTALS		\$24,179,452	\$1,948,074	\$22,231,378

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 (Parks), the Department of Information, Technology and Telecommunications (DoITT), and the Economic Development Corporation (EDC). Our audits evaluate the payments made by entities, such as sports franchises and hotels. As shown below, Fiscal Year 2003 audits resulted in collecting actual revenues totaling \$ 3,872,961. Additional revenue can be collected if all audit recommendations are followed.

<u>Audit Number</u>	<u>Audit Library No.</u>	<u>Agency/Title</u>	<u>Date Issued</u>	<u>Actual Revenue To Date</u>	<u>Remaining Potential Revenue</u>
FN03-116A	7496	EDC - Staten Island Yankees	6/27/03	\$ 373,517	\$0
FN02-154A	7428	DoITT - Time Warner Cable of New York City, Staten Island Division	12/19/02	\$ 18,058	\$0
FL02-090A	7448	Parks - N.B.K.L. Corporation	4/07/03	\$ 24,113	\$0
FL02-180A	7449	Parks - Luna Park Associates	4/07/03	\$ 13,835	\$0
FM02-168A	7429	Parks - Tavern on the Green Limited Partnership	1/06/03	\$ 5,991	\$0
FM02-169A	7444	Parks - New Leaf Cafe	4/4/03	\$ 2,959	\$0
FN02-125A	7431	Parks - New York Mets 4/1/96 - 12/31/00	1/16/03		\$0
FN03-115A	7515	1/1/01 - 12/31/01	6/16/03	\$3,340,113	
FN03-111A	7497	Parks - Brooklyn Baseball Co. (Brooklyn/Cyclones)	6/27/03	\$ 86,800	\$0
FR03-107A	7433	Parks - Flushing Golf Corporation, Inc.	2/06/03	\$0	\$0
MH02-179A	7432	Parks - Izadi Enterprises Corp.	2/04/03	\$ 7,575	\$ 89,151
	TOTAL			\$3,872,961	\$ 89,151

ECONOMIC DEVELOPMENT CORPORATION (EDC)

Audit Report on the Compliance of Staten Island Minor League Holdings, L.L.C., (Staten Island Yankees) with Their Lease Agreement (May 1, 2001-December 31, 2002)

Audit # FN03-116A

Comptroller's Audit Library # 7496

Issued: June 27, 2003

Monetary Effect: Actual Revenue: \$373,517

Introduction

In December 2000, the Staten Island Minor League Holdings L.L.C. (Staten Island Yankees) and the New York City Economic Development Corporation (EDC) entered into a 20-year lease agreement that commenced on May 1, 2001. The agreement grants the Staten Island Yankees exclusive rights to use the Richmond County Bank Ballpark. Under the terms of the agreement, the Staten Island Yankees are required to pay EDC an annual base rent for actual attendance, for complimentary tickets, for "no-shows," and for the team store, and percentages of revenues generated from special event net income and from advertising revenues. The agreement also requires that the Staten Island Yankees deposit \$25,000 each year into a sinking fund that permits EDC to perform capital projects at the stadium. In addition, the agreement requires that EDC pay the Staten Island Yankees a portion of the net income from the City parking lot. Finally, it requires that the Staten Island Yankees: carry comprehensive property and liability insurance that names the City as an additional insured party; pay for the stadium's electricity and water and sewer use; and provide a \$50,000 security deposit to EDC.

This audit determined whether the Staten Island Yankees paid the appropriate fees due EDC, and whether they paid these fees on time. The audit also determined whether the Staten Island Yankees maintained adequate internal controls, received the appropriate payments from EDC, maintained the required insurance, paid all utilities, reimbursed EDC for electricity use, paid its security deposit, and paid their capital contributions.

Results

The Staten Island Yankees adhered to certain non-revenue-related requirements of the agreement. They maintained the required property and liability insurance that named the City as an additional insured, deposited the required \$50,000 security deposit with EDC, contributed \$50,000 into a sinking fund available for EDC to perform capital projects at the stadium, and paid water and sewer charges.

However, because of inadequate controls over the recording and reporting of revenue from attendance, it could not be determined whether the Staten Island Yankees paid the appropriate fees to EDC. In addition, payments that were due were consistently made late, resulting in late fees due of \$35,774. Furthermore, the Staten Island Yankees did not reimburse EDC \$303,858 for electricity use and have an outstanding balance of \$25,000 due for their 2002 percentage of signage revenue. We also found that EDC overpaid the Staten Island Yankees \$8,885 in parking lot net income. Thus, based on the available records, the audit determined that the Staten Island Yankees owe EDC at least \$373,517. Finally, even though the lease contains a provision for payments to EDC from sales at the team store the amount to be paid has not been negotiated between the Staten Island Yankees and EDC.

The audit made five recommends to the Staten Island Yankees including that they: pay EDC \$373,517 for outstanding fees due and late charges; make all future payments on time; calculate actual attendance and fee payments based on turnstile counts; visually distinguish between paid and complimentary tickets; and ensure that the reported actual attendance for events can be properly supported.

The audit also made three recommendations to EDC: ensure that the Staten Island Yankees remit \$373,517 for outstanding fees and late charges due; that EDC charge the Staten Island Yankees the appropriate late fees stipulated in the agreement; and, that EDC negotiate specific fee terms for the team store, retroactive to the store's first day of operation.

EDC's response, which also included comments from the Staten Island Yankees, indicated that both entities generally agreed with the audit's recommendations. It stated that since the Staten Island Yankees have remitted several payments (subsequent to the issuance of the preliminary draft of this audit) towards their outstanding balance pertaining to signage and electricity, the Staten Island Yankees now owe an amount less than \$373,517. Moreover, the Staten Island Yankees agreed to implement the remaining recommendations that pertain to enhancing internal controls over revenue from ticket sales.

Audit Follow-up

EDC reported that all of the audit recommendations are being implemented.

**DEPARTMENT OF INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS
(DOITT)**

Audit Report on the Compliance of Time Warner Cable of New York City, Staten Island Division, with Its Franchise Agreement (October 1, 1998, through December 31, 2001)

Audit # FN02-154A

Comptroller's Audit Library # 7428

Issued: December 19, 2002

Monetary Effect: Actual Revenue: \$18,058

Introduction

In 1998, the Department of Information Technology and Telecommunications (DoITT) and Time Warner Cable of New York City, Staten Island, 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; carry \$50 million in insurance that names the City as an additional insured; maintain a security fund deposit of \$710,000; and provide specified annual payments to the NYSPSC and the Community Access Organization.

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 \$264.5 million and paid the City \$12.9 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 underreported its gross revenue by \$6,534,279 for the period October 1, 1998, through December 31, 2001. Also, Time Warner did not report \$223,684 in revenue received from subscriber trip charges, \$71,556 relating to the value of free services that Time Warner provided to employees and apartment managers, and \$24,775 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 \$342,715 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 three other audits of Time Warner cable franchise agreements—Time Warner’s Northern Manhattan Division, Southern Manhattan Division, and 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, \$335,278 pertained to the Staten Island Division.)

The audit recommended that Time Warner pay the City \$18,058 in franchise fees and interest owed under its franchise agreement for its Staten Island Division for excluding Trip Charges, revenue relating to free services, and 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 stated that they will pay the additional franchise fees due. DoITT responded that it will continue to review and monitor franchise fee payments made by Time Warner.

Audit Follow-up

DoITT reported that the audit recommendations have been implemented.

DEPARTMENT OF PARKS AND RECREATION (PARKS)

Audit Report on the Compliance of N.B.K.L. Corporation with Its Permit Agreement and its Payment of Fees Due the City

Audit # FL02-090A

Comptroller's Audit Library # 7448

Issued: April 7, 2003

Monetary Effect: Actual Revenue: \$24,113

Introduction

This audit determined whether N.B.K.L Corporation (N.B.K.L.) maintained adequate internal controls over the recording and reporting of gross receipts; calculated and properly paid its permit fees on time; complied with other major requirements of its permit agreement (e.g., carried the required liability insurance, remitted the appropriate security deposit, and paid its utility charges). For the 2000, 2001 and 2002 operating years, N.B.K.L. reported a total of \$3,362,022 in revenue and paid the City \$654,510 in permit fees. The audit covered the period April 1, 2000, through October 31, 2002.

Results

N.B.K.L. had adequate controls over revenue generated at the amusement park. Specifically, N.B.K.L.:

- Used cash registers to record sales at the ticket booth, snack bar, and novelty stand.
- Issued pre-numbered tickets to patrons in sequential order.
- Maintained lists of issued tickets.
- Properly segregated responsibilities for collecting and depositing cash and reconciling daily cash receipts.
- Performed appropriate reconciliations of daily cash receipts.
- Maintained adequate records supporting revenue generated from parties held at the amusement park.
- Deposited cash receipts in a timely manner.

However, the audit disclosed several mathematical errors on N.B.K. L.'s books and records that resulted in N.B.K.L.'s owing the City \$24,113 in additional fees and related interest and penalties. In addition, N.B.K.L. complied with the non-revenue requirements of its permit agreement (e.g., carried the required liability insurance and paid its utility charges).

The audit recommended that N.B.K.L. pay the City \$24,113 in additional fees and related interest and penalties and that Parks issue a Notice to Cure to N.B.K.L. requiring that it pay the amount due.

N.B.K.L. and Parks agreed with the audit's findings and recommendations.

Audit Follow-up

N.B.K.L and Parks reported that the recommendations have been implemented.

DEPARTMENT OF PARKS AND RECREATION (PARKS)

Audit Report on the Compliance of Luna Park Associates, Inc., with Its License Agreement and its Payment of License Fees Due the City (September 1, 1999, Through August 31, 2001)

Audit # FL02-180A

Comptroller's Audit Library # 7449

Issued: April 7, 2003

Monetary Effect: Actual Revenue: \$13,835

Introduction

This audit determined whether Luna Park Associates, Inc. (Luna) maintained adequate internal controls over the recording and reporting of gross receipts; calculated and properly paid its license fees on time; complied with other major requirements of its license agreement (e.g., carried the required liability insurance, remitted the appropriate security deposit, and paid its utility charges). For the two-year period covered by the audit—September 1, 1999, through August 31, 2001—Luna reported \$3,305,674 in revenue and paid the City \$198,341 in license fees.

Results

The audit found that Luna generally complied with the terms of its license agreement with Parks. Specifically, Luna had adequate internal controls over the recording and reporting of its revenue, carried the proper types and amounts of insurance coverage, remitted the required security deposit to the City, and completed the required capital improvements. However, Luna underreported its gross receipts by \$228,096 resulting in \$13,835 in additional license fees due. Moreover, Luna did not name the City as an additional insured on its automobile insurance policy.

The report recommended that Luna: pay the City the remaining \$2,251 in additional fees and related interest and penalties; ensure that all revenue is reported to Parks and that all appropriate fees are paid, in accordance with its agreement; and name the City as an additional insured on its automobile insurance policy. The report also recommended that Parks ensure that Luna complies with the above recommendations.

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

Audit Follow-up

Luna and Parks reported that all of the recommendations have been implemented. Luna paid the remaining \$2,251.

DEPARTMENT OF PARKS AND RECREATION (PARKS)

Audit Report on Tavern on the Green Limited Partnership's Compliance With Its License Agreement, October 2, 2000, through October 7, 2001

Audit # FM02-168A

Comptroller's Audit Library # 7429

Issued: January 6, 2003

Monetary Effect: Actual Revenue \$5,991

Introduction

In 1985, the Department of Parks and Recreation (Parks) entered into a 25-year license agreement with Tavern on the Green Limited Partnership (Tavern) for the maintenance and operation of a restaurant and catering facility in Central Park. Tavern is currently the highest-grossing, independently-operated restaurant in the United States, generating annual revenue of approximately \$33 million.

The agreement requires that Tavern pay the greater of a minimum annual fee that ranges from \$500,000 in the first year to \$1,000,000 in the 25th and final year, or a percentage of gross receipts ranging from 2.5 percent to 3.5 percent. During the operating year ending October 7, 2001, Tavern reported gross receipts of \$33,354,901, and paid the City \$1,167,422 in fees.

The audit determined whether Tavern maintained adequate controls over the recording and reporting of its gross receipts; properly reported gross receipts, and correctly calculated and paid its license fees due the City; and complied with certain other non-revenue-related terms of the license agreement.

Results

The audit found that Tavern generally adhered to the provisions of its license agreement. It had adequate internal controls over its revenue collection and recording functions, properly recorded its revenue in its books and records, and paid fees in accordance with the license agreement. Furthermore, Tavern generally complied with certain other non-revenue-related terms of the license agreement (i.e., maintained the required insurance coverage, remitted the required security deposit to the City, and paid water and sewer charges related to the facility).

However, Tavern deducted “Tele-charge” commissions—made to a third party for selling meal packages to Tavern customers—from its reported revenues on its gross receipts statements that were not permitted under its license agreement. As a result, Tavern owes the City \$5,991 in additional license fees and late charges. Moreover, Tavern improperly accepted New York State Sales Tax Resale Certificates from companies that resulted in Tavern owing \$20,914 in additional sales taxes.

The audit recommended that Tavern should:

- Pay the City \$5,991 in additional license fees and late charges owed.
- Cease deducting “Tele-charge commissions” from gross receipts reported to Parks.
- Pay \$20,914 in additional sales tax owed to New York State.
- Cease accepting New York State Resale Certificates for food and beverages sales.

The audit also recommended that Parks should ensure that Tavern implement the report’s recommendations:

Tavern generally agreed with the audit’s findings. However, Tavern believes that it is allowed to resell food and beverage purchases under New York State Tax Law. Tavern stated that it would seek a ruling concerning this matter from the New York State Tax Unit. Nevertheless, it agreed to implement all of the report’s recommendations. In addition, Parks issued a Notice to Cure requiring that Tavern implement the report’s recommendations.

Audit Follow-up

Parks reported that in May 2003, it conducted a follow-up audit on Tavern on the Green and has determined that five recommendations were implemented and one recommendation is pending. Although Tavern did not receive any resale certificates since the audit was conducted, Tavern will still seek a ruling from the appropriate tax authority whenever it is given a resale certificate.

DEPARTMENT OF PARKS AND RECREATION (PARKS)

Audit Report on License Fees Due from New York Restoration Project, Inc., (The New Leaf Café) and on its Compliance with its License Agreement, (October 1, 2000, through September 30, 2002)

Audit # FM02-169A

Comptroller's Audit Library # 7444

Issued: April 4, 2003

Monetary Effect: Actual Revenue: \$2,959

Introduction

On September 13, 2000, the Department of Parks and Recreation (Parks) entered into a seven-year license agreement (October 1, 2000, through September 30, 2007) with New York Restoration Project, Inc. (NYRP), to renovate, operate and maintain the New Leaf Cafe in Fort Tryon Park, Manhattan. The cafe has a snack stand and seated dining for lunch, dinner, and banquets.

The agreement requires that NYRP pay the City the greater of a minimum annual fee that escalates each year from \$48,000 in year-one to \$64,325 for the final year of the agreement, or 10 percent of its gross receipts. For the period, October 1, 2000 through September 30, 2002, NYRP reported gross receipts totaling \$1,235,638 and paid \$155,552 in license fees to the City.

The audit determined whether NYRP maintained adequate controls over the recording and reporting of its gross receipts; properly reported gross receipts, and correctly calculated and paid its license fees due the City; and complied with certain other non-revenue-related terms of the license agreement.

Results

The audit found that although NYRP had adequate controls over the recording and reporting of restaurant revenue, it did not have adequate controls over catering and snack bar revenue. Specifically, NYRP maintained neither banquet calendars nor contracts nor records of snack bar receipts. Moreover, NYRP did not properly segregate duties over its catering operation. Such segregation would have provided the necessary checks and balances to ensure that all revenue is accounted for on NYRP's books and records. Consequently, the auditors were unable to determine whether NYRP accurately reported its gross receipts to Parks and paid all fees due. However, from the available records, the audit found that NYRP underreported its gross receipts by \$28,671 and owes the City \$2,959 in additional license fees and late charges for the period October 1, 2001, through September 30, 2002.

Furthermore, NYRP generally complied with certain other non-revenue-related terms of the license agreement (i.e., remitted the required security deposit to the City; installed a point-of-sales system to record cafe revenues; paid its design review fee; completed the required capital improvements; maintained the required insurance coverage; and paid its utility bills).

The report recommended that NYRP should:

- Pay the City \$2,959 in additional license fees and late charges.

- Issue pre-numbered contracts for all banquets held at the facility.
- Maintain banquet calendars and contracts.
- Segregate responsibilities for arranging banquets, accepting payments from customers, recording revenues received, and making deposits.

The audit also recommended that Parks should ensure that NYRP implement the report's recommendations.

NYRP's response did not indicate whether it would pay the license fees and late charges identified by the audit. In this regard, NYRP took exception to the audit's estimate of unreported gross receipts from banquets, but stated that all revenues from snack bar sales would be reported through NYRP's point-of-sale system. The response also stated that NYRP would begin using pre-numbered contracts and that it will maintain a banquet calendar.

Audit Follow-up

Parks reported that it conducted a follow-up audit and has determined that five recommendations have been implemented and one recommendation is in process. On April 11, 2003, NYRP paid the audit assessment of \$2,959. In addition, NYRP has issued pre-numbered contracts for most of the banquets held at NYRP and maintains banquet calendars and contracts. NYRP has also taken steps to segregate the responsibilities for arranging banquets, accepting payments from customers, recording revenues received, and making deposits.

DEPARTMENT OF PARKS AND RECREATION (PARKS)

Audit Report on the Compliance of Sterling Doubleday Enterprises, L.P., (New York Mets) with Their Lease Agreement and Lease Fees They Owe the City (April 1, 1996, through December 31, 2000)

Audit # FN02-125A

Comptroller's Audit Library # 7431

Issued: January 16, 2003

Monetary Effect: See FN03-115A

Introduction

In 1985, Doubleday Sports, Inc., and the New York City Department of Parks and Recreation (Parks) entered into a 20-year lease agreement for the rental and use of Shea Stadium. In 1986, Doubleday Sports, Inc., assigned the lease agreement to Sterling Doubleday Enterprises, L.P. (doing business as the New York Mets). The lease, which is monitored by Parks, expires on December 31, 2004. The first amendment, dated December 28, 2001, extends the lease to December 31, 2005, and includes five annual renewal options to be exercised at the Mets' discretion.

According to the agreement, the Mets are required to pay the City the greater of either an annual minimum rent of \$300,000 or a percentage of revenues from gross admissions, concessions, wait service, parking, stadium advertising, and a portion of cable television receipts. The agreement allows the Mets to deduct portions of the payments they make to Major League Baseball and all sales taxes before calculating rent payments to the City. For the audit period, April 1, 1996, to December 31, 2000, the Mets reported gross revenues totaling \$499.4 million and paid the City \$36.6 million.

This audit determined whether the Mets 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 Mets had an adequate system of internal controls over their revenue collection and reporting functions and adhered to specific non-revenue-related requirements of the agreement. However, from April 1, 1996, through December 31, 2000, the Mets underreported their revenue by \$18,363,226 and overstated the deductions against revenue that they were entitled to take by \$27,766,408. Moreover, the Mets have yet to satisfy a portion of a prior audit assessment pertaining to homeplate advertising totaling \$83,186. Consequently, the Mets owe the City \$3,381,816.

The audit made three recommendations to the Mets: pay the City \$3,381,816; report all advertising, concession, and Skybox receipts on their rent statements; and use the final audited year-end Revenue-Sharing payments pertaining to admissions and cable television receipts as deductions from their fee calculations. The audit also recommended that Parks ensure that the Mets pay the audit assessment and comply with the other two recommendations.

The Mets disagreed with the City's position concerning advertising revenue and Revenue Sharing. Parks agreed with the audit's findings and recommendations and requested payment for the full amount from the Mets.

Audit Follow-up

Parks reported that the Mets have paid \$116,770, and the remaining \$3,265,046 is under negotiation. Parks has referred the additional fee items and other issues contained in the audit to the Commercial and Real Estate Litigation Division of the City Law Department for settlement.

DEPARTMENT OF PARKS AND RECREATION (PARKS)

Audit Report on the Compliance of Sterling Doubleday Enterprises, L.P., (New York Mets) with Their Lease Agreement and Lease Fees They Owe the City (January 1, 2001-December 31, 2001)

Audit # FN03-115A

Comptroller's Audit Library # 7515

Issued: June 16, 2003

Monetary Effect: Actual Revenue: \$3,340,113

Introduction

In 1985, Doubleday Sports, Inc., and the New York City Department of Parks and Recreation (Parks) entered into a 20-year lease agreement for the rental and use of Shea Stadium. In 1986, Doubleday Sports, Inc., assigned the lease agreement to Sterling Doubleday Enterprises, L.P. (doing business as the New York Mets). In August 2002, a change in ownership assigned the lease to Sterling Mets L.P. The lease, which is monitored by Parks, expires on December 31, 2004. The first amendment, dated December 28, 2001, extended the lease to December 31, 2005, and included five annual renewal options to be exercised at the Mets' discretion.

According to the agreement, the Mets are required to pay the City the greater of either an annual minimum rent of \$300,000 or a percentage of revenues from gross admissions, concessions, wait service, parking, stadium advertising, and a portion of cable television receipts. The agreement allows the Mets to deduct portions of the payments they make to Major League Baseball and all sales taxes before calculating rent payments to the City. For the audit period, April 1, 1996, through December 31, 2000, the Mets reported gross revenues totaling \$499.4 million and paid the City \$36.6 million.

This audit determined whether the Mets 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; accurately deducted and documented allowable new stadium planning costs; and complied with certain other lease requirements (i.e., maintained the required insurance and reimbursed the City for its utility use).

Results

The audit found that the New York Mets had an adequate system of internal controls over their revenue collection and accounting functions and adhered to certain non-revenue-related lease requirements pertaining to maintaining insurance and reimbursing the City for their utility use. However, the Mets overstated by \$7,604,864 the deductions against revenue that they were entitled to take, and underreported by \$422,780 their revenue on the rent report to Parks for 2001. Consequently, the Mets owe the City \$1,178,815. Moreover, the Mets owed the City \$3,381,816 from two prior audits of which only \$590,113 has been paid. Thus, the Mets now owe the City \$3,970,518 in additional fees.

The audit recommended that the Mets: pay the amount owed; report all advertising, concession, and Skybox, receipts on their rent statements to the City; deduct only those stadium planning costs incurred within the calendar year; cease deducting maintenance expenses as credits from the rent owed to the City; and use only Revenue-Sharing payments that pertain to admissions and cable television receipts as deductions from their fee calculations. The audit also recommended that Parks ensure that the Mets pay the audit assessment and comply with the audit's other four recommendations.

In their response, Mets officials disagreed with many of the audit findings and recommendations. Parks officials stated that they agreed with the report and that they referred the audit findings to the City's Law Department for settlement.

Audit Follow-up

The Mets have paid \$3.3 million.

DEPARTMENT OF PARKS AND RECREATION (PARKS)

Audit Report on the Compliance of Brooklyn Baseball Company, L.L.C., (Brooklyn Cyclones) with Their Lease Agreement (June 15, 2001-December 31, 2002)

Audit # FN03-111A

Comptroller's Audit Library # 7497

Issued: June 27, 2003

Monetary Effect: Actual Revenue: \$86,800

Introduction

In June 2001, Brooklyn Baseball Company, L.L.C. (doing business as the Cyclones), and the Department of Parks and Recreation (Parks) entered into a 20-year lease agreement commencing on June 15, 2001. The lease, which is monitored by Parks, grants the Cyclones the exclusive rights to use KeySpan Park on Surf Avenue in Brooklyn. The lease requires that the Cyclones pay rent to the City based on game attendance, team store rent, special event net income, advertising, etc. The lease also requires that the Cyclones deposit \$25,000 each year into a sinking fund that permits Parks to perform capital work projects at the stadium. In addition, the lease requires that Parks pay the Cyclones a portion of the net parking lot income generated from the City lot adjacent to the stadium.

This audit determined whether the Cyclones complied with their lease agreement with the City; paid the appropriate fees due the City and whether they paid these fees on time; and maintained adequate internal controls over the recording and reporting of gross receipts and attendance.

For the audit period—June 15, 2001, through December 31, 2002—the Cyclones paid the City \$1,131,196 in rental fees; for the same period, Parks paid the Cyclones \$200,000 related to net parking lot income.

Results

The audit found significant weaknesses in the Cyclones internal controls over the recording and reporting of “actual attendance,” “no-shows,” and recreation area attendees. Consequently, it could not be determined whether all appropriate fees due the City were paid. Article 3, § 3.01(a)(ii), of the lease requires that the Cyclones calculate their base rent from turnstile counts. However, the Cyclones do not use turnstile counts to record and report attendance. Instead, the Cyclones count ticket stubs at the end of each game, identifying the different ticket categories (i.e., paid tickets, complimentary tickets, recreation area tickets) on the Daily Turnstile reports.

The Cyclones’ approach is not adequate to ensure that all ticket stubs are included in the count. A complete count can be assured only by using the lease-mandated turnstile counts along with the ticket stubs. The auditors’ attempt to use the turnstile counts to verify reported attendance was unsuccessful because the Cyclones used eight turnstiles interchangeably at the stadium entrances, but recorded the counts from only six turnstiles on the Daily Turnstile reports. Also, the closing turnstile entry totals from one game were not listed as the opening turnstile entry totals on the Daily Turnstile reports for the next game in 644 of 924 cases; and total turnstile counts did not match and could not be reconciled with the physical ticket stub count for the reported attendance on the Daily Turnstile reports.

In addition, the Cyclones: did not report \$98,600 recorded on their books as rent revenue from the Surf Avenue retail space and therefore owe the City \$49,300 in additional fees; and did not deposit \$37,500 into a sinking fund, as required by the lease. Moreover, the Cyclones did not report Special Events income totaling \$101,473. However, even if this amount had been reported, the Cyclones would not have reached the net income threshold at which additional Special Event fees become due.

Subsequent to the issuance of the preliminary draft report, the Cyclones remitted a check of \$50,000 to cover the first two years of payments to the sinking fund, and a check of \$67,283 for the Surf Avenue retail rent.

The audit made four recommendations to the Cyclones including that they should: base actual attendance on their turnstile counts, specifically labeling and identifying each turnstile; reconcile the Daily Turnstile reports with Season Summary and the Performance Sales reports; remit all quarterly fees due from the Surf Avenue rental space with the required quarterly Statement of Retail Net Profit, in accordance with the lease agreement; and ensure that income and expenses are appropriately reported on the Special Event statements submitted to Parks. In addition, the audit made two recommendations to Parks, that they should: ensure that the Cyclones pay all fees due from the retail rent space and that the Cyclones comply with the audit’s recommendations for enhancing the internal controls and reporting procedures.

In their response, Cyclone officials disagreed with the audit findings. Parks officials stated that they agreed with the report and issued a “Notice To Cure” to the Cyclones requiring that they implement the audit’s recommendations.

Audit Follow-up

Parks reported that four of the six recommendations have been implemented. The Cyclones have paid all quarterly fees for rental space. Parks will determine the status of the recommendations addressing turnstile counts and reconciliation of Daily Turnstile reports as soon as the inspection of turnstiles is completed.

DEPARTMENT OF PARKS AND RECREATION (PARKS)

Audit Report on the Compliance of Flushing Golf Corporation, Inc., with Its License Agreement And Its Payment of License Fees Due the City (May 1, 2000–April 30, 2002)

Audit # FR03-107A

Comptroller's Audit Library # 7433

Issued: February 6, 2003

Monetary Effect: None

Introduction

In 1998, the Department of Parks and Recreation (Parks) entered into a 12-year license agreement with Flushing Golf Corporation, Inc. (Flushing Golf) to renovate, operate, maintain, and manage an outdoor pitch-and-putt golf facility, an 18-hole miniature golf course, a snack bar, and a food cart at Flushing Meadows-Corona Park, Queens. The agreement requires that Flushing Golf pay the City minimum annual fees escalating from \$140,000 in the first year to \$170,000 in the 12th year, or 20 percent of Flushing Golf's gross receipts generated at the facility, whichever is greater. Flushing Golf is also required to expend \$760,200 on capital improvements to the recreational facility and pay Parks a Design Review Fee of \$6,062; deposit \$42,500 with the City as security; carry workers' compensation insurance as required by statute, employer's liability insurance, comprehensive general liability insurance, and property insurance policies, each naming the City as an additional insured; and pay all utility charges for the facility.

The audit determined whether Flushing Golf 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 two-year audit period—May 1, 2000—April 30, 2002—Flushing Golf reported gross receipts amounting to \$1,488,578, and paid the City \$308,099 in license fees. Flushing Golf generally adhered to the provisions of its license agreement. It recorded its revenue fairly in its books and records, and generally paid its corresponding license fees in compliance with the terms of the license agreement. Finally, in our opinion, Flushing Golf had an adequate system of internal controls over its revenue collection and recording functions, except for revenue generated from its mobile food-and-beverage cart.

Flushing Golf did not maintain adequate records to support the amounts reported to Parks from the food cart, and did not maintain an inventory of the various items stocked in the cart or a written record of the items sold. Instead, cash collected by employees was submitted to Flushing Golf officials at the end of the shift, and the revenue amount was recorded on an envelope. Maintaining a perpetual inventory of items purchased and sold and keeping written records of all sales would provide for adequate internal controls over the cash collected.

Flushing Golf adhered to certain non-revenue-related requirements of its license agreement (i.e., made the required capital improvements and paid the design review fee; carried the proper types and amounts of insurance that named the City as an additional insured; maintained the proper security deposit; and, paid its utility bills).

The audit recommended that Flushing Golf maintain detailed inventory and sales records of all food-and-beverage cart items, and that Parks ensure that Flushing Golf complies with that recommendation.

Flushing Golf stated that it will implement the audit's recommendation by maintaining a detailed inventory and record of sales from its mobile food-and-beverage cart. Parks issued a Notice To Cure to Flushing Golf requiring that it implement the report's recommendation.

Audit Follow-up

Parks reported that on May 1, 2003, it conducted a follow-up audit on Flushing Golf and has determined that all recommendations have been implemented.

DEPARTMENT OF PARKS AND RECREATION (PARKS)

Audit Report on the Compliance of Izadi Enterprises Corp., with Its License Agreement with the Department of Parks and Recreation and Its Payment of License Fees Due the City

Audit # MH02-179A

Comptroller's Audit Library # 7432

Issued: February 4, 2003

Monetary Effect: Actual Revenue: \$ 7,575

Potential Revenue \$89,151

Introduction

This audit determined whether Izadi Enterprises Corporation (Izadi) complied with its license agreement with the New York City Department of Parks and Recreation (Parks) for the operation and management of a parking lot (the Webster Avenue lot) under the Cross-Bronx Expressway at Webster Avenue and Ittner Place in the Bronx and whether it paid fees due the City.

Izadi closed the parking lot on May 15, 2002, nine days following our initial meeting with Izadi officials on May 6, 2002. Subsequently, Izadi did not provide documentation and information that we requested. As a result, the auditors were unable to perform many of the planned audit tests. Parks terminated Izadi's license agreement on May 31, 2002, because they ceased to operate the parking facility. The audit covered the period June 1, 2000, to March 31, 2002.

Results

The audit noted that Izadi posted the required security deposit of \$7,575 with the City, paid the required \$270 design review fee, and maintained the required workers' compensation coverage, as required by statute, and \$1 million liability policy that named the City as an additional insured. However, Izadi failed to comply with the major provisions of the license agreement. Specifically, Izadi:

- Used the Webster Avenue parking lot to sell cars since it began operating the lot in July 2002 without obtaining prior approval from Parks and without possessing a license to sell cars as required by the Department of Consumer Affairs, and it failed to report to Parks the revenue generated from selling cars.
- Underreported its gross revenue by an estimated \$130,501 for the period June 1, 2000, through March 31, 2002, thus requiring the payment of an estimated \$78,166 in additional fees and late charges.
- Failed to maintain an adequate system of internal controls and to keep complete, accurate books and records of all its business activities.
- Failed to complete \$18,560 of the required \$27,000 in capital improvements at the parking lot.

To address these issues the audit recommended that Parks should:

- Require Izadi to pay an estimated \$78,166 in additional license fees, revenue, and late charges owed the City.
- Require Izadi to pay the City \$18,560 for underspending on required capital improvements.
- Along with an appropriate law enforcement agency, immediately conduct an investigation of this agreement as well as all of other agreements it has with Izadi and its principals to determine whether to bar Izadi and its principals from doing further business with the City.

Parks officials agreed with the recommendations and noted that it will take the necessary action to recover the outstanding balances and will place Izadi on the City's Vendor Information Exchange System (VENDEX), thereby prohibiting Izadi from conducting further business with the City.

Audit Follow-up

Parks reported that it is in process of implementing the audit recommendations.

NEW YORK CITY PUBLIC/PRIVATE INITIATIVES, INC.

Audit Report on the Financial Practices of the New York City Public/Private Initiatives, Inc.,
Doing Business as the Twin Towers Fund (September 12, 2001–August 31, 2002)

Audit # FN03-122A

Comptroller's Audit Library # 7489

Issued: June 26, 2003

Monetary Effect: None

Introduction

New York City Public/Private Initiatives, Inc. (NYCPPI), a not-for-profit corporation, was formed for charitable and public purposes, including the promotion of the City as a business venue and encouraging economic development. As a result of the September 11, 2001, terrorist attack, the Twin Towers Fund was created on September 12, 2001, to provide financial support to the family beneficiaries of the uniformed and other rescue workers who lost their lives in the attack. Until the Twin Towers Fund received New York State and Internal Revenue Service approval to operate as a charity, assets collected for the Twin Towers Fund were held by NYCPPI. Between December 2001 and August 2002, NYCPPI transferred \$107,934,625 to the Twin Towers Fund.

The audit assessed the adequacy of NYCPPI's internal controls over its recording and reporting of contributions and distributions, and determined whether all contributions were distributed pursuant to NYCPPI's established criteria.

Results

NYCPPI had adequate controls in place to ensure that payments to family beneficiaries were accurate, complete, and in accordance with established criteria.

However, due to several internal control weaknesses and the absence of certain documentation, it could not be determined whether NYCPPI accounted for all contributions received, whether contributions were promptly and accurately deposited, and whether the correct amount of revenue was transferred to the newly created Twin Towers Fund. In addition, the audit noted that NYCPPI did not have a detailed cash receipts journal, and one beneficiary was owed \$10,000.

The audit recommended that NYCPPI:

- Attempt to find the missing documentation cited in the report and use it to determine whether additional moneys are due the Twin Towers Fund
- Inform Twin Towers Fund officials of the \$10,000 underpayment so that the Twin Towers Fund can make the appropriate payment
- Ensure that records are properly organized, safeguarded, and readily available for review.

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

Audit Follow-up

In their response, NYCPPI officials provided reasons for the missing documentation, and stated that they already implemented the audit's recommendations.

TWIN TOWERS FUND

Audit Report on the Financial Practices of the Twin Towers Fund

Audit # FN03-103A

Comptroller's Audit Library # 7457

Issued: May 8, 2003

Monetary Effect: None

Introduction

The Twin Towers Fund (Fund) was created on September 12, 2001, to provide support for the families of uniformed and other rescue workers who lost their lives or were severely injured in the September 11, 2001, terrorist attack. From September 12 to December 17, 2001, the Fund's assets were held and managed by the New York City Public/Private Initiatives, Inc. (NYCPPI), a not-for-profit organization whose mission is to work with the City in jointly approved projects. NYCPPI managed Fund assets until the Fund obtained New York State and IRS approval to operate as a charity. The Fund collected donations concurrently with NYCPPI for several months after the approvals were obtained. It began to directly deposit donations in December 2001. Between December 2001 and August 2002, NYCPPI transferred \$107,934,625 to the Fund.

The audit assessed the adequacy of the Fund's internal controls over its recording and reporting of contributions to the Fund and distributions from the Fund, and determined whether all contributions were distributed pursuant to the Fund's established criteria.

Results

The Fund had adequate controls over the revenues it received to ensure that all contributions and other income received was accurately recorded on the Fund's books and records. In addition, distributions from the Fund were made in accordance with Distribution Committee rules and Board-approved eligibility guidelines. Finally, the Fund's administrative expenses were reasonable and necessary for its operation.

The audit, however, disclosed the following minor errors: The Fund did not deposit six contribution checks totaling \$8,842 in its bank accounts. Those checks were found in the Fund's files. In addition, while cleaning up duplicate entries caused by software problems the Fund incorrectly adjusted its general ledger by \$8,778. The Fund also owed one beneficiary a share of \$6,250 from a \$50,000 "Next of Kin Benefit," and it did not recoup \$892 in overpayments from each of seven other beneficiaries who received this benefit.

The audit recommended that the Fund should ensure that: all contributions received are promptly deposited in Fund bank accounts; the minor errors identified in the report are corrected; and the beneficiary who did not receive a share of the Next of Kin benefit is paid the \$6,250 due; and recoup the overpayments made to seven beneficiaries.

Fund officials stated that the errors noted in the audit have either been corrected or will be corrected with the final distribution of funds.

Audit Follow-up

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

**AUDITS 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 2003, auditors disallowed \$682,542 in rental credits for insufficient documentation, ineligibility of expenses, and errors in calculations. As of June 30, 2003, the Yankees accepted the disallowance of \$682,542 as a New York Yankee cost.

Audit No.	Period Covered	Date Issued	Actual Revenue	Potential Revenue	Total
FR03-069A	4th Qtr. 2001	01/17/03	\$148,244	0	\$148,244
FR03-106A	1st Qtr. 2002	02/20/03	\$101,802	0	\$101,802
FN03-130A	2nd Qtr. 2002	05/27/03	\$280,793	0	\$280,793
FN03-155A	3rd Qtr. 2002	06/18/03	\$151,703	0	\$151,703
TOTAL			\$682,542	0	\$682,542

WELFARE FUNDS

Audit Report on the Financial and Operating Practices of the Sergeants Benevolent Association Health and Welfare Fund

Audit # FL03-086A

Comptroller's Audit Library # 7503

Issued: June 23, 2003

Monetary Effect: None

Introduction

This audit determined whether the Sergeants Benevolent Association Health and Welfare 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*. The audit covered the period July 1, 2000, through June 30, 2001.

Results

The Fund generally complied with the procedures and reporting requirements of Directive 12 and its benefit processing and accounting procedures. Furthermore, the Fund's administrative expenses were appropriate and reasonable. However, the Fund had some weaknesses in its financial and operating procedures. Specifically, the Fund:

- Made improper benefit payments totaling \$8,607;
- Does not maintain employee attendance records;
- Did not verify eligibility of members' dependents;
- Paid \$33,595 in undocumented administrative expenses; and
- Did not report an estimated postretirement obligation amount for benefits on its financial statements in accordance with Generally Accepted Accounting Principles

The audit recommended that the Fund:

- Ensure that benefits are paid in accordance with its guidelines. In that regard, the Fund should maintain documentation supporting eligibility and services for which reimbursements were made.
- Maintain daily attendance records for all Fund employees.
- Ensure that Employee Leave Summary forms properly reflect all leave use by Fund employees.
- Maintain copies of all documentation in members' permanent files to substantiate the eligibility of dependents.
- Ensure that all payments are properly supported by adequate documentation.
- Report its benefit liability on its financial statements, in accordance with Generally Accepted Accounting Principles.

Fund officials agreed with the audit findings and recommendations.

Audit Follow-up

The Fund did not provide follow-up information.

WELFARE FUNDS

Audit Report on the Financial and Operating Practices of the Local 300 S.E.I.U. Civil Service Forum Employees Welfare Fund, (July 1, 1998–June 30, 1999)

Audit # FL03-087A

Comptroller’s Audit Library # 7475

Issued: June 10, 2003

Monetary Effect: None

Introduction

This audit determined whether Local 300 S.E.I.U. Civil Service Forum Employees Welfare Fund (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*.

Results

The Active 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 Active Fund had some weaknesses in its financial and operating practices. Specifically, the audit found that:

- Operating deficits are depleting the Active Fund’s reserves.
- The Active Fund paid an employee for 13 days that she did not work.
- The Active Fund made questionable payments to its employees and did not maintain Personnel/Leave Records.
- The Active Fund reimbursed trustees for \$3,761 in questionable travel expenses.
- The Active Fund’s financial statements and Directive 12 filing did not accurately report benefit and administrative expenses for Fiscal Year 1999.
- The Active Fund made improper benefit payments totaling \$6,022.
- The Active Fund paid 95 claims for dependents whose eligibility was not documented.

- The Active Fund’s cash disbursements journal did not include all expenses paid during the audit period.
- The Union owes the Active Fund \$3,810. Insurance proceeds belonging to the Active Fund were inappropriately deposited into a Union account.

The audit recommended that the Active Fund:

- Take immediate action to eliminate the Fund’s operating deficit and thereby ensure its financial viability.
- Ensure that Fund employees are paid only for days actually worked.
- Determine whether it can recoup the \$910 from the overpaid employee.
- Ensure that all disbursements are adequately supported. In that regard, the Active Fund should maintain adequate personnel and leave records to support payments to its employees.
- Recoup the \$3,761 it paid Trustees for questionable travel expenses.
- Ensure that all dental and prescription drug administrative fees are classified as administrative expenses rather than benefit expenses on its financial statements and Directive 12 filings.
- Ensure that benefits are paid only to eligible individuals and are made in accordance with the Active Fund’s guidelines for the service provided.
- Maintain in members’ permanent files copies of all documentation that shows the eligibility of dependents.
- Ensure that the Active Fund’s cash disbursements journal is complete and accurate.
- Recoup the \$3,810 inappropriately deposited in the Union’s bank account.

The Active Fund’s response described the actions taken by Fund officials to address the report’s findings and recommendations. According to Active Fund officials, most of the problems noted in the report are attributable to the practices of the previous Board of Trustees and accountant.

Audit Follow-up

The Active Fund did not provide follow-up information.

WELFARE FUNDS

Audit Report on the Financial and Operating Practices of the Local 300 S.E.I.U. Civil Service Forum Retired Employees Welfare Fund, (July 1, 1998–June 30, 1999)

Audit # FL03-088A

Comptroller's Audit Library # 7474

Issued: June 10, 2003

Monetary Effect: None

Introduction

This audit determined whether the Local 300 S.E.I.U. Civil Service Forum Retired Employees Welfare Fund (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*.

Results

The Retiree 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 Retiree Fund had some weaknesses in its financial and operating practices. Specifically, the audit found that the Retiree Fund:

- Did not maintain an adequate level of reserves.
- Made improper payments to its Trustees.
- Made improper benefit payments totaling \$3,033.
- Paid 95 claims for dependents whose eligibility was not documented.
- Did not accurately report benefit and administrative expenses for Fiscal Year 1999.
- Did not include all expenses paid during the audit period in its cash disbursements journal.

The audit recommended that the Retiree Fund should:

- Take immediate action to increase the Fund's level of reserves and thereby ensure its ability to pay benefits.
- Discontinue making payments to its Trustees.
- Ensure that benefits are paid only to eligible individuals and are made in accordance with the Retiree Fund's guidelines.
- Maintain copies of all documentation in members' permanent files that shows the eligibility of dependents.
- Ensure that administrative fees are properly reported on its financial statements and Directive 12 filings.
- Ensure that its cash disbursements journal is complete and accurate.

The Retiree Fund’s response described the actions taken by Fund officials to address the report’s findings and recommendations. According to Retiree Fund officials, most of the problems noted in the report are attributable to the practices of the previous Board of Trustees and accountant.

Audit Follow-up

The Retiree Fund did not provide follow-up information.

WELFARE FUNDS

Audit Report on the Financial and Operating Practices of the Local 444 S.E.I.U. Sanitation Officers’ Welfare Fund, (January 1, 2001-December 31, 2001)

Audit # FL03-151A
Comptroller’s Audit Library # 7504
Issued: June 23, 2003
Monetary Effect: None

Introduction

This audit determined whether the Local 444’s Active Fund: complied with applicable procedures and reporting requirements, as set forth in Comptroller’s Directive 12; complied with its benefit processing and accounting procedures and whether those procedures were adequate and proper; and whether the Active Fund’s administrative expenses were appropriate and reasonable. With regard to the Active Fund’s benefit processing and accounting procedures, the audit determined the adequacy and effectiveness of the Active Fund’s internal controls related to the processing and reporting of contributions received and benefit and administrative expenses paid; and assessed the Active Fund’s adherence to its benefit payment guidelines

Results

Overall, the Active Fund generally complied with the procedures and reporting requirements of Directive 12. In addition, the Active Fund generally complied with its benefit processing and accounting procedures, and those procedures were adequate and proper. Furthermore, the Active Fund’s administrative expenses were appropriate and reasonable. However, the audit found some weaknesses in the Active Fund’s financial and operating procedures, as follows:

- The Active Fund paid claims for dependents whose eligibility was not documented. Despite requiring members to submit birth certificates, marriage licenses to support a dependent’s eligibility when initially enrolling or when adding or deleting dependents, such documentation was not evident in the Active Fund’s files.

- The Fund provides benefits from current income instead of estimating the liability for the benefits on an actuarially determined basis. This basis of accounting for is a departure from Generally Accepted Accounting Principals.

The audit recommended that:

- The Active Fund should maintain copies of all documentation in members' permanent files to substantiate eligibility of dependents.
- The Fund Trustees should ensure that the Fund reports its benefit liability on its financial statements, in accordance with Generally Accepted Accounting Principles.

The Trustees of the Fund did not agree with the audit findings, but provided no documentation to support their positions.

Audit Follow-up

The Trustees of the Fund reported that they continue to disagree with the audit findings.

WELFARE FUNDS

Analysis of the Financial and Operating Practices of Union-Administered Benefit Funds Whose Fiscal Years Ended in Calendar Year 2001

Audit # FM03-089A
Comptroller's Audit Library # 7516
Issued: June 30, 2003
Monetary Effect: None

Introduction

Union-administered benefit funds were established under collective bargaining agreements between the unions and the City of New York. They provide City employees, retirees, and dependents with a variety of supplemental health benefits not provided under City-administered health insurance plans. Certain other benefits are also provided at the discretion of the individual funds (e.g., annuity accounts, life insurance, disability, and legal benefits). This report contains a comparative analysis of 85 welfare, retiree, and annuity funds whose fiscal years ended in calendar year 2001. These funds received approximately \$840.9 million in total City contributions for the fiscal year.

Results

This is the 22nd 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 report contains 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.

Audit Follow-up

Not Applicable

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