



City of New York

OFFICE OF THE COMPTROLLER

Scott M. Stringer
COMPTROLLER



AUDIT BUREAU

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Report to the Mayor and City Council
on City Comptroller Audit Operations
Fiscal Year 2017

March 1, 2018

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THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
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March 1, 2018

The Honorable Bill de Blasio, Mayor
City of New York
City Hall
New York, NY 10007

The Honorable Corey Johnson, Speaker
New York City Council
250 Broadway, Suite 1850
New York, NY 10007

New York City Council
City Hall
New York, NY 10007

Dear Mayor de Blasio, Speaker Johnson and Members of the City Council:

Attached please find the annual report on the operations of the Audit Bureau of the New York City Comptroller's Office for Fiscal Year 2017. The Audit Bureau issued 76 audits and special reports during the fiscal year focused on the effectiveness and service quality of City programs, and on financial issues, identifying approximately \$66.2 million in actual and potential revenue and savings. Reviews of claims filed against the City identified another \$1.5 million in potential cost avoidance.

Under the City Charter, the Comptroller's Office must audit some aspect of every City agency at least once every four years in accordance with generally accepted government auditing standards promulgated by the Comptroller General of the United States. Section 93 (f) of the City Charter states that no later than March 1st of each year the Comptroller must provide an annual report to the Mayor and City Council on all major audit activities of City agencies conducted in the previous fiscal year.

Applicable auditing standards also require that government auditing entities undergo an external peer review every three years. Last year, the Audit Bureau underwent such a review by a team of qualified independent audit professionals. The review was completed in October 2016, and I am pleased to report that the Comptroller's Office complies with generally accepted government auditing standards and received the highest of three possible ratings from the review panel. In addition, the peer review identified eight specific areas of the audit bureau's performance for which it should be commended.

The audits issued in Fiscal Year 2017 covered a wide range of subjects, including revenue and cost savings, asset management, internal controls, service delivery, program performance, and information technology. The most significant findings are highlighted below.

Revenue and Cost Savings

The following audits generated the most in actual and potential revenue and savings:

- An audit found that the Department of Finance (DOF) improperly credited the Senior Citizen Homeowners' Exemption (SCHE) to 3,890 properties that were not eligible, resulting in a loss to the City of at least \$48,529,687. The SCHE program provides a partial property tax exemption for senior citizens who own one, two, or three family homes, condominiums, or cooperative apartments in New York City. Homeowners who receive a SCHE also automatically qualify for and receive an Enhanced School Tax Relief (ESTAR) exemption based on their income and homeownership status. The audit found that DOF failed to remove the SCHE from at least 3,246 properties after the homeowners had died, resulting in a loss of property tax revenue of at least \$35,976,029 from Fiscal Years 2012 through 2017. Furthermore, DOF failed to correctly prorate the exemption amounts granted to 573 properties that contain four or more units. This resulted in 3,219 excessive exemption amounts totaling at least \$11,176,036 in lost property tax revenue from Fiscal Years 2011 through 2016. DOF also allowed corporate owners of at least 71 properties to receive 307 exemptions for which they were not eligible, resulting in lost property tax revenue of at least \$1,377,622 from Fiscal Years 2011 through 2016. In addition, DOF improperly credited properties of deceased homeowners and corporate-owned properties with ESTAR exemptions totaling \$10,647,896, bringing the total lost tax revenue identified in this audit to \$59.2 million. The audit is summarized at page 56.
- Another audit found that DOF improperly credited Veterans' Exemptions to 1,503 properties, which resulted in a loss to the City of at least \$3,770,350 in property tax revenue. The Veterans' Exemption Programs, provide a partial property tax exemption for veterans, the spouse or widow/widower of a veteran who has not remarried, or parents of a soldier killed in action. Two categories of Veterans' Exemptions are in effect in New York City: the Eligible Funds Exemption (prior to 1984) and the Alternative Veterans' Exemption (since 1984). Homeowners who receive a Veteran's Exemption can also apply for and receive a School Tax Relief (STAR) exemption based on their income and homeownership status. The audit found that DOF failed to remove Veterans' Exemptions from 740 ineligible properties that were transferred to new owners, resulting in a loss of property tax revenue of at least \$1,654,869, and from 341 properties after the eligible homeowners died for a loss of \$798,346. Furthermore, DOF failed to correctly prorate the exemption amounts granted to 200 properties that contain four or more units resulting in a loss of \$915,173, and improperly granted exemptions to corporate owners of at least 60 properties for a loss of \$165,219. DOF also allowed 162 homeowners to receive multiple Veterans' Exemptions simultaneously, which is not permitted by regulations, resulting in a loss of \$236,743. In addition, DOF improperly credited properties of deceased homeowners and ineligible corporations and LLCs with STAR exemptions totaling \$449,758, bringing the total lost tax revenue identified in this audit \$4.2 million. The audit is summarized at page 60.

- The Comptroller's Office conducted three compliance audits of contracts between the Department of Parks and Recreation (Parks) and operators of concessions on Parks property in the City: (1) Queens Ballpark Company (QBC), a subsidiary of Sterling Mets, L.P., operation of City Parking Facilities; (2) Manhattan River Group, L.L.C. (MRG), operation of the Dyckman Marina and Restaurant; and (3) Kissena Golf, L.L.C.'s (Kissena Golf), operation of the Kissena Park Golf Course. The three audits identified \$839,403 in underreported revenues, which could result in up to \$204,016 in additional City revenue.
 - The QBC audit found that the company understated its net revenue by at least \$294,127 and, as a result, owed the City at least \$147,064 in additional base rent. Parks entered into four agreements with QBC for the management, operation and maintenance of several parking facilities near Citi Field Stadium in Flushing, Queens. The rent that QBC pays the City is determined by a formula based on net revenue (reported revenue minus expenses). The understated revenue resulted from the underreporting of prepaid parking revenue and discounts, and free parking spaces as well as its failure to detect a duplicate sales tax deduction. While QBC complied with most of the major terms of its City agreements, the audit found inconsistencies in QBC's books and records, and also determined that QBC's point-of-sale system lacked the controls needed to ensure a complete and accurate record of all parking-related transactions. In addition, the audit found that QBC did not adequately verify the accounting of the special-events revenue and expenses reported by a related company, CF Hospitality, L.L.C. (CFH), and did not notify Parks of special events as required by the City agreements. The audit is summarized at page 125.
 - The MRG audit found that the company underreported its gross receipts from its restaurant by at least \$488,874 and consequently owes the City at least \$39,110 in additional license fees and \$17,842 in late charges. In June 2009, Parks entered into two separate 15-year contracts, one for the operation of a restaurant and lounge, and a second for the operation of a marina at the Dyckman Marina in Manhattan. The audit also found inadequate internal controls and inconsistent practices in MRG's recordkeeping procedures, including a failure to maintain sufficient documentation related to its operation of the marina and required capital improvements. The audit is summarized at page 127.
 - The Kissena Golf audit found that the company understated the gross receipts it reported to Parks by \$56,402, although that understatement did not impact the amount of monies Kissena Golf owed to the City during the audited period. In 2008, Kissena Golf entered into a 20-year License with Parks for the renovation, operation, and maintenance of an 18-hole golf course, clubhouse, and food service facility at Kissena Park located in Queens. In addition to underreporting revenue, which could improperly reduce future fee payments to the City, the audit also found that Kissena Golf violated its License by entering into the two sublicense agreements without prior authorization from Parks. Kissena Golf also improperly included regular maintenance expenditures in its claimed capital spending. Moreover, it failed to maintain sufficient documentation related to \$196,353 in claimed capital improvement expenses. The audit is summarized at page 129.

- A compliance audit of the Operating Agreement for the Brooklyn Cruise Terminal (BCT) between the New York City Economic Development Corporation (EDC) and Metro Cruise Services, LLC (MCS) found that MCS understated the Operating Income due the City by at least \$98,221 through its inaccurate computation and deduction of security costs. In May 2013, the City, acting through EDC, entered into an Operating Agreement with MCS, which provides that MCS shall be the sole and exclusive operator of the BCT. The revenue that MCS shares with the City consists principally of three categories—wharfage (based on cruise ships' passenger counts), dockage, and special events – along with fees that MSC collects for fresh water provided to cruise ships. The audit found that MCS maintained insufficient records on special event revenue, and it also uncovered gaps in MCS' fresh water meter readings that may improperly reduce fees owed to the City. In addition, EDC did not sufficiently oversee MCS' compliance with its Operating Agreement because it did not verify accuracy of information upon which fees owed to the City were based. The audit is summarized at page 123.

Asset Management and Internal Controls

Several audits of agencies and public entities identified significant deficiencies in asset management and internal controls:

- An audit to determine whether the Department of Education (DOE) allocated approximately \$491.4 million in federal Title I funds to the City's public schools in accordance with applicable laws, rules, and regulations found DOE did not properly document and determine students' eligibility for school meals. DOE uses this eligibility to measure each school's poverty percentage for the purpose of allocating Title I funds among the schools within each of the City's five boroughs. The audit also found that DOE lacked up-to-date correspondence or written agreements with the City's Human Resources Administration (HRA), which provides information used in eligibility determinations. In addition, DOE may have incorrectly determined the eligibility of students on their School Meal Applications, and failed to contact students' households to obtain information needed to process incomplete applications. DOE may have also erroneously included students who were not eligible for free school meals in its Title I poverty counts and thus may not have properly allocated Title I funds among the public schools. The audit is summarized at page 48.
- The Comptroller's Office conducted an audit of the financial and operating practices of Success Academy Charter Schools-NYC (Success Academy). The audit examined the school's oversight of its fiscal affairs during Fiscal Years 2013 through 2015 (July 1, 2012, through June 30, 2015) to determine whether its internal controls ensured that funds were appropriately expended, authorized, valid, and reasonable; whether transactions were accurately recorded and reported; and whether potential conflicts of interest and related party transactions were adequately disclosed and approved. Success Academy, which served 8,715 students enrolled in kindergarten through ninth grade at 24 different schools in Fiscal Year 2015, is an educational corporation that is authorized by the State University of New York to operate multiple charter schools under its Third Amended and Restated Second Renewal Charter dated October 31, 2014 (the Charter Agreement). Success Academy is also party to an Academic and Business

Services Agreement (Management Agreement) with Success Academy Charter Schools, Inc. (the Network), an educational service provider retained to manage the operations of Success Academy's multiple schools. The audit found that Success Academy made duplicative payments to the Network totaling \$624,342 for services the Management Agreement required the Network to provide in exchange for its 15 percent management fee, and incorrectly classified these expenses in its Fiscal Year 2015 certified financial statements. In addition, Success Academy billed DOE \$50,825 for special education services that were not documented as having actually been provided for 6 out of 21 sampled students (28.6 percent). It also failed to maintain adequate controls over \$24.8 million in inventory. Moreover, Success Academy's records did not adequately document that purchasing expenses were reasonable, appropriate, and properly authorized; that it had obtained appropriate proof of residency for students; that its employees always had required fingerprints and background checks completed and cleared before they began working in its schools; and that it had properly documented and obtained approval for \$8.5 million in loans from a related party in accordance with applicable rules. The audit is summarized at page 16.

- An audit of the New York City Housing Authority's (NYCHA's) oversight of construction contracts for building envelope rehabilitation work found that, while there appears to be adequate field staffing and inspection of construction work, and sufficient information flow from the construction sites back to the central office and upper management, NYCHA needs to improve its controls and utilize operational resources more effectively. NYCHA's housing stock is aging: 270 of its 328 developments are 30 or more years old and of those, 114 are more than 50 years old. NYCHA's Capital Projects Division is responsible for preserving and modernizing public housing by providing professional design and construction services. These services include making buildings water-tight through rehabilitating and/or replacing building envelope components, such as roofs, facades, windows and foundations. Data received from NYCHA shows that building envelope rehabilitation work was performed on 43 projects utilizing 51 unique contracts awarded from January, 2013 through November, 2015, our audit scope period. The total amount of these contracts was approximately \$1.02 billion. The audit found deficiencies in the finished work product at several locations, work completed late at three of five sampled developments, a questionable use of change orders, recordkeeping weaknesses, unreliable data, and a failure to update a procedural manual to reflect current work methods. The audit identified \$138,955 in potential monetary impact, which includes: \$95,200 for liquidated damages for projects completed late; \$38,200 for sub-standard base flashing installation; \$5,000 for defective roof work; and \$555 for minor deficiencies in completed construction. The audit is summarized at page 72.
- An audit of the New York City Transit's (NYCT's) provision of required preventive maintenance (PM) services and inspections on its escalators and elevators found multiple deficiencies in these efforts. NYCT's Division of Elevators and Escalators (E&E) is responsible for the maintenance, repair, and inspections of the elevators and escalators located throughout the subway system. E&E has set an aggregate goal of 96.5 percent availability on average for its elevators and 95.2 percent availability on average for its escalators. The audit found that only approximately one-fifth of the machines in the audit sample received all of their scheduled PM services assignments. When PM service assignments were cancelled, however, the reasons given were either not supported or not in compliance with E&E's policy. In addition, maintainers and

supervisors did not complete nearly a quarter of the sampled checklists for PM service and American Society of Mechanical Engineers (ASME) inspections as required. Moreover, required work orders were not created on average in 1 out of 4 instances where new defects were noted during PM service assignments and ASME inspections. Further, E&E does not have a system for tracking when or whether the defects that result in the creation of work orders are repaired. The audit is summarized at page 86.

- The Office of the New York City Comptroller investigated a transaction in which the Allure Group paid the City of New York \$16.5 million to remove two deed restrictions that limited the use of Rivington House, a Manhattan nursing home, to operation as a Not-For-Profit health care facility. The purchaser then sold the property to a luxury condominium developer for \$116 million, pocketing a \$72 million profit. As part of its investigation, the Comptroller's Office reviewed more than 80,000 documents, including communications among the Rivington House sellers and buyers and City officials, and interviewed Administration officials who were engaged over a two-year period with issues related to the deal. The investigation revealed that senior City officials failed to read required weekly reports from agency commissioners and failed to communicate their decisions to subordinates. This breakdown in oversight and communication created a vacuum that allowed the purchaser to secure the removal of deed restrictions at the same time it was working to "flip" the property for millions of dollars in profit. The report also revealed that the City failed to take action, even after it was notified by residents that Rivington House was going to be sold to a developer for conversion to luxury condominiums. City officials had a 72-day window of opportunity to intervene before the sale was finalized, but failed to do so. The investigation is summarized at page 30.

Service Delivery and Program Performance

The following audits identified significant service-delivery and program-performance issues:

- An audit of the New York City Department of Buildings (DOB) and the New York City Department of City Planning (DCP) to determine whether the City adequately oversees Privately Owned Public Space (POPS) agreements with building developers and owners found that more than half of the POPS locations were not in compliance with their agreements. POPS are outdoor or indoor spaces with required amenities for public use that are built and are maintained by the developers and owners of private buildings. POPS are created by building developers in exchange for the City allowing them to construct buildings at greater heights and densities than would otherwise be allowed by zoning regulations. DCP is responsible for certifying POPS' compliance with zoning regulations prior to the developer's obtaining a foundation permit. DOB is responsible for enforcing the City's Building Code and Zoning and for issuing violation notices to owners when POPS are found to be out of compliance with their agreements. Auditors inspected all 333 of the City's POPS locations and found that more than half (182 of the 333) failed to provide required public amenities. In some cases, the required amenities simply did not exist; in others, they were non-functioning. There were also cases where public access was otherwise impermissibly limited or denied entirely. The audit is summarized at page 96.

- The Office of the New York City Comptroller investigated the Department of Homeless Services' (DHS's) provision of child care services within the DHS shelter system. By October 2016, the City's total shelter population topped 60,000 people, including more than 23,000 children, with more than 5,700 children under the age of three (as of April 2016). As part of its investigation, investigators inspected 21 on-site child care centers in City shelters, surveyed all 167 DHS shelters for families with children, and interviewed officials from two City agencies that manage the delivery of services to homeless families and children, DHS and the Administration for Children's Services (ACS). The investigation found that 99 of the 167 shelters for families with children (59 percent) offered no child care services; another 43 shelters (26 percent) operated on-site child care centers without any permits from City government. The investigation found that (1) 82 percent of their child care workers did not undergo proper background checks for disqualifying criminal and child abuse histories; and (2) 49 percent of these childcare workers lacked valid training in child abuse and maltreatment identification, reporting, and prevention. Moreover, an investigation of the child care rooms in 21 shelters revealed serious health and safety risks: 41 percent had no sprinklers, 18 percent had no fire extinguishers, and 9 percent of the emergency exit doors were locked from the inside, without emergency push bars. The investigation is summarized at page 71.
- A compliance audit focused on the "Close to Home" contract between ACS and non-profit provider Good Shepherd Services (GSS). The contract allows GSS to operate a group home for youths who are deemed juvenile delinquents by the Family Court, and to place them in a residential program close to their families and communities. The audit found that (1) behavior plans were not consistently prepared; (2) mental health assessments were not consistently obtained or conducted; (3) educational assessments were not performed timely; (4) monthly team treatment meetings were not consistently conducted; and (5) there was limited evidence that required appropriate recreation was provided to the youths. The audit also identified deficiencies in GSS' reporting and recording of "reportable" and "critical" incidents. Finally, the audit found that GSS incorrectly billed ACS (both over and under the proper amounts) for care days for three of the 10 sampled youth. The audit is summarized at page 21.
- The Comptroller's Office conducted three audits of personnel-screening compliance by ACS-contracted childcare centers: (1) Hamilton-Madison House (HMH) – Manhattan; (2) Brooklyn Kindergarten Society's Brevoort Children's Center (BCC) – Brooklyn; and (3) The Child Center of New York (TCCNY) – Queens. Each audit examined whether all employees and volunteers had been properly screened through the Statewide Central Register of Child Abuse and Maltreatment (SCR) as required by the New York City Health Code §47.19.
 - HMH operates a child care center for three and four year-old children at 253 South Street in Manhattan (and at three other locations) under contract with ACS. Of eight individuals who were working as employees or volunteers at HMH as of January 17, 2017, the audit found that for five individuals—four employees and one volunteer—HMH had not obtained the most recently required SCR clearance in a timely manner. Moreover, the clearances were late by periods that ranged from 11 days to nearly two years. The audit also found that HMH had not obtained any SCR clearance for one volunteer for eight years. The audit is summarized at page 23.

- BCC operates a child care center for children two to four years old at 250 Ralph Avenue in Brooklyn (and at four other locations) under a contract with ACS. Of 19 individuals who were working as employees at BCC as of January 19, 2017, the audit found that for five employees, BCC had not obtained the most recently required SCR clearances on time; the clearances were late by periods that ranged from 20 days to over one year and three months. The audit also found that BCC had not obtained an SCR clearance for one employee even though the individual had been hired more than six months earlier. The audit is summarized at page 24.
- TCCNY operates a child care center for three and four year-old children at 34-10 108th Street in Queens (and at two other locations) under a contract with ACS. Of 37 individuals who were working as employees at TCCNY as of January 31, 2017, the audit found that for 22 employees, TCCNY had not obtained the most recently required SCR clearances on time; the clearances were late by periods that ranged from five days to more than 11 months. The audit is summarized at page 25.
- A compliance audit of the contract between DHS and non-profit provider Samaritan Daytop Village Inc. (Samaritan) to provide shelter and services to homeless individuals and families found that Samaritan generally complied with the fiscal requirements of its DHS contracts. However, the audit found that DHS provided excessive cash advances of \$1.5 million to Samaritan and failed to recoup \$346,337 of that excess amount. In addition, Samaritan failed to maintain adequate documentation for 43 of 532 clients, representing 545 “care days” provided to homeless families for which Samaritan billed DHS. The audit also found that DHS did not perform expenditure reviews of Samaritan’s contracts to ensure that expenditures are appropriate and consistent with the terms of the applicable contracts. The audit is summarized at page 69.
- An audit of the Department of Transportation’s (DOT) management of the replacement and maintenance of street name signs found that DOT has significant deficiencies in its management and does not track its efforts. DOT estimates there are approximately 250,000 standard street name signs in New York City, and said that it receives complaints for repair of street name signs from the public and elected officials, both directly and from New York City’s 311 service. However, DOT does not have a complete inventory of signs and does not know how many signs are actually required. It does not have a comprehensive plan to ensure that it identifies all street name signs in need of replacement; does not ensure that all 311 complaints of missing or damaged signs are addressed; and has not established any time frames for addressing certain non-emergency street name sign replacements. The audit is summarized at page 114.

Information Technology

All City agencies rely on information technology to help perform and maintain mission-critical operations. Over the past decade, as the City has spent a significant amount of taxpayer dollars on information technology, we have continued to audit system-development projects and have identified several projects with excessive cost overruns and missed deadlines, or that simply did not meet agency needs. Brief descriptions of two of those audits follow:

- An audit of DOE's implementation of High Speed Internet Connectivity in New York City Public Middle Schools found that while every school had fiber optic connections to support high speed internet, DOE lacked adequate controls and oversight to ensure that the system-wide upgrade was completed properly, within budget, with appropriate documentation, and with adequate managerial oversight. DOE began to upgrade the broadband technology in the schools in 2007 and completed the upgrade in 2016. As of May 2016, 503 of DOE's schools were reported to be providing educational services to middle school students (students in 6th through 8th grades). Auditors also conducted a User Satisfaction Survey of middle school Principals and staff, in which 33 percent of the respondents said they were not satisfied with the current internet service, 45 percent stated that the speed of the internet service in the middle schools did not meet their instructional needs, and 25 percent responded that the internet service availability in their schools was inadequate. The audit is summarized at page 52.
- An audit assessed the security and reliability of the data stored and maintained in the Department of Citywide Administrative Services' (DCAS's) computer systems. DCAS maintains a computer network that is used by DCAS employees, consultants and interns for email and to access department files. It also maintains specialized applications that are used by the public, DCAS network users (employees, interns and consultants), and personnel in external City agencies. Several applications maintained by DCAS contain confidential and private information. The audit found that DCAS has established adequate controls for application access, data protection, and sufficient data classification guidelines to protect information in the agency's computerized environment. However, the audit found that user access had not been disabled for inactive users and former City employees; that DCAS' list of agency liaisons had not been adequately monitored and updated; that DCAS did not implement and enforce citywide password expiration and complexity rules; and that DCAS lacked a formal agency-wide business continuity plan and a disaster recovery plan for its applications. The audit is summarized at page 31.

As the City's Chief Fiscal Officer, it is my duty to do everything in my power to maintain the City's fiscal health. The Audit Bureau uses its power of audit to find waste, mismanagement and inefficiency in City government, as well as to root out fraud and abuse, while championing improvements that can achieve more efficient, effective City operations and services. The Bureau examines every corner of City government to improve services and save tax dollars wherever possible, and it makes hundreds of recommendations to improve City programs that can have a positive impact on service delivery if implemented. The audits and investigations summarized in this annual report have helped us meet our responsibility to ensure that government resources are not wasted, but put to work to improve the lives of all New Yorkers.

While agency managers are responsible for resolving and implementing recommendations promptly and effectively, the auditors follow up to see that action has been taken and intended results realized. A review of the implementation of the 450 recommendations made in this year's audit reports found that 33 City agencies and other related entities reported implementing or being in the process of implementing 377 recommendations (83.8 percent) and not implementing 73 recommendations (16.2 percent). This is the highest level of compliance by audited entities in eight years, indicating that the City is greatly benefiting from our audit efforts.

The Comptroller's Office welcomes your interest in ensuring that all recommendations made by the Audit Bureau are considered by City agencies. But the true benefits of audit work are found in the effective implementation of these recommendations. Corrective action taken by management is essential to improving the effectiveness and efficiency of government operations. To that end, we have provided supplementary information on the status of all our recommendations by both audit report and by agency.

Sincerely,

A handwritten signature in blue ink, appearing to read "Scott M. Stringer", is written over the printed name.

Scott M. Stringer

TABLE OF CONTENTS

	Page
Summary of Audit Results	i
Index of Government FY 2017 Agency Audits and Special Reports.....	iii
Index of Non-Government FY 2017 Agency Audits and Special Reports	ix
Economic Impact of Audits of Government and Non-Government Agencies.....	xi
Section I: Government Audits and Special Reports.....	1
Section II: Non-Government Audits and Special Reports.....	119
Section III: Charts: Recommendation Status by Audit.....	137
Recommendation Status by Agency.....	141
Section IV: Index of Government Agency Audits and Special Reports Fiscal Years 2007-2017	143
Section V: Index of Non-Government Agency Audits and Special Reports, Fiscal Years 2007-2017	169
Section VI: Index of Government Special Letter Reports Fiscal Years 2011 – 2017	175

SUMMARY OF AUDIT RESULTS

Actual and potential savings, revenues, and cost avoidance identified in Fiscal Year 2017 totaled \$67.7 million. These are estimates of what could be achieved if all the audit and special report recommendations were implemented. Of this \$67.7 million:

- Actual savings and revenues identified in Fiscal Year 2017 totaled \$2.1 million;
- \$64.1 million represents potential cost savings or revenues from a variety of management and financial audit findings; and
- \$1,541,666 represents potential cost avoidance resulting from analyses of claims filed against the City.

The Comptroller's Audit Bureau issued 76 audits and special reports in Fiscal Year 2017. Reviews of managerial lump-sum payments and welfare-fund payments were also performed.

This report is divided into two sections. One section covers audits and special reports of City agencies and public authorities. The second section covers audits and special reports 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 (GAGAS) 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 of the recommendations (as described in the "Audit Follow-up" section of each audit summary) was provided by the auditees in response to our follow-up inquiries.

INDEX OF GOVERNMENT FY 2017 AGENCY AUDITS AND SPECIAL REPORTS
(All Audits Unless Otherwise Indicated)

AGENCY	AUDIT TITLE	PAGE
OFFICE OF ADMINISTRATIVE TAX APPEALS.....		3
	Audit Report on the Office of Administrative Tax Appeals' Controls Over its Inventory of Computers and Related Equipment.....	3
OFFICE OF ADMINISTRATIVE TRIALS AND HEARINGS		5
	Audit Report on the Compliance of the New York City Office of Administrative Trials and Hearings with Executive Order 120 Regarding Limited English Proficiency	5
	Final Letter Report on the New York City Office of Administrative Trials and Hearings' Compliance with Local Law 25 Regarding Translation of Agency Website.....	7
DEPARTMENT FOR THE AGING		8
	Audit Report on the Department for the Aging's Monitoring of Senior Centers.....	8
	Audit Report of the New York City Department for the Aging's Oversight of Senior Citizen Centers' Compliance with Their Agreements Regarding Limited English Proficiency.....	10
	Final Letter Report on the New York City Department for the Aging's Compliance with Local Law 25 Regarding Translation of Agency Website	12
CAMPAIGN FINANCE BOARD.....		14
	Audit Report on the New York City Campaign Finance Board's Controls over Its Computer and Other Computer-Related Equipment.....	14
CHARTER SCHOOLS		16
	Audit Report of Success Academy Charter Schools-NYC Oversight of Financial Operations.....	16
OFFICE OF CHIEF MEDICAL EXAMINER		18
	Final Letter Report on the New York City Office of Chief Medical Examiner's Compliance with Local Law 25 Regarding Translation of Agency Website	18

ADMINISTRATION FOR CHILDREN'S SERVICES.....	20
A follow-up letter to the June 15, 2016 "Audit Report On The Administration For Children's Services' Controls Over Its Investigation of Child Abuse And Neglect Allegations," MG15-061A, sent to the Commissioner of ACS that identified ongoing gaps in the supervision of ACS investigations of allegations of abuse and neglect.....	20
Audit Report on Good Shepherd Service's Compliance with Its Close to Home Contract with the Administration for Children's Services.....	21
Audit Report on the Hamilton-Madison House Child Care Center's Screening of Personnel through the Statewide Central Register of Child Abuse and Maltreatment.....	23
Audit Report on the Brooklyn Kindergarten Society's Screening of Personnel through the Statewide Central Register of Child Abuse and Maltreatment.....	24
Audit Report on The Child Center of New York's Screening of Personnel through the Statewide Central Register of Child Abuse and Maltreatment.....	25
CITY CLERK AND CLERK OF THE COUNCIL	26
Audit Report on the Office Equipment Inventory Practices at the Office of the City Clerk and Clerk of the Council.....	26
Final Letter Report on the New York City Office of the City Clerk & Clerk of the City Council's Compliance with Local Law 36 Regarding Waste Prevention, Reuse and Recycling by City Agencies	28
DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES	30
Report of the New York City Comptroller on the Sale of Two Deed Restrictions Governing Property Located at 45 Rivington Street	30
Audit Report on the New York City Department of Citywide Administrative Services' Access Controls over Its Computer Systems	31
Audit Report on the New York City Department of Citywide Administrative Services' Compliance with Local Law 20 and the Placement of Automated External Defibrillators	33
CIVIL SERVICE COMMISSION.....	35
Audit Report on the Civil Service Commission's Financial and Operating Practices.....	35
BRONX COMMUNITY BOARDS.....	37
Audit Report on the Office Equipment Inventory Practices at the Twelve Bronx Community Boards	37

BROOKLYN COMMUNITY BOARDS	39
Audit Report on the Office Equipment Inventory Practices at the Eighteen Community Boards	39
QUEENS COMMUNITY BOARDS.....	41
Audit Report on the Office Equipment Inventory Practices at the Fourteen Queens Community Boards.....	41
NEW YORK CITY COMPTROLLER’S OFFICE	43
Cost Allocation Plan Fiscal Year 2016.....	43
DEPARTMENT OF CONSUMER AFFAIRS	44
Audit Report on the Department of Consumer Affairs’ Development and Implementation of the Accela System	44
NEW YORK COUNTY DISTRICT ATTORNEY	46
Letter Audit report on the New York County District Attorney's Administration of the Deferred Prosecution and Non-Prosecution Agreements	46
DEPARTMENT OF EDUCATION	48
Audit Report of the Department of Education’s Allocation of Title I Funding to Public Schools	48
Audit Report on the Department of Education's Oversight of the Qualifications of School Bus Drivers and Attendants Employed by School Bus Company Contractors.....	50
Audit Report on the Department of Education’s Implementation of High Speed Internet Connectivity in New York City Public Middle Schools	52
EQUAL EMPLOYMENT PRACTICES COMMISSION	54
Final Letter Report on the New York City Equal Employment Practices Commission’s Compliance with Local Law 36 Regarding Waste Prevention, Reuse and Recycling by City Agencies	54
DEPARTMENT OF FINANCE	56
Audit Report on the New York City Department of Finance’s Administration of the Senior Citizen Homeowners’ Exemption Program	56
Audit Report on the Tax Classification of Real Property in the Bronx by the New York City Department of Finance	58
Audit Report on the New York City Department of Finance’s Administration of the Veterans’ Exemption Programs	60

DEPARTMENT OF FINANCE (CONT'D)

Final Letter Report on the Follow-Up Review of the Removal of School Tax Relief Exemptions for the Ineligible Properties Identified in Our Recent Audit of the New York City Department of Finance	62
Audit Report on the Tax Classification of Real Property in the Borough of Staten Island by the New York City Department of Finance	64
Audit Report on the Compliance of the New York City Department of Finance with Executive Order 120 Regarding Limited English Proficiency	66
Final Letter Report on the New York City Department of Finance's Compliance with Local Law 25 Regarding Translation of Agency Website	67

DEPARTMENT OF HOMELESS SERVICES 69

Audit Report on the Samaritan Daytop Village Inc.'s Compliance with Its Contracts with the Department of Homeless Services.....	69
Investigation into the Provision of Child Care Services in New York City Homeless Shelters	71

NEW YORK CITY HOUSING AUTHORITY 72

Audit Report on the New York City Housing Authority's Oversight of Contracts Involving Building Envelope Rehabilitation.....	72
--	----

DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT..... 74

Audit Report on the Department of Housing Preservation and Development's Efforts to Collect Outstanding Money Judgments.....	74
Audit Report on the New York City Department of Housing Preservation and Development's Controls over the Awarding of Housing Incentive Projects	76
Audit Report on the Department of Housing Preservation and Development Engineering Audit Office's Compliance with Comptroller's Directive #7	78

HUMAN RESOURCES ADMINISTRATION 80

Audit Report on the New York City Human Resources Administration's Controls over Its Miscellaneous, Employee, and Imprest Fund Accounts	80
---	----

INDEPENDENT BUDGET OFFICE 82

Letter Report on the Independent Budget Office's Inventory Practices	82
--	----

LANDMARKS PRESERVATION COMMISSION..... 84

Audit Report on the Landmarks Preservation Commission's Issuance of Certificates of No Effect.....	84
--	----

METROPOLITAN TRANSPORTATION AUTHORITY	86
Audit Report on the New York City Transit's Efforts to Inspect and Repair Elevators and Escalators	86
Letter Audit Report on Phase III of the Wireless Voice and Data Services in New York City's Subway System as Provided by Transit Wireless	88
Letter Audit Report on Phase IV of the Wireless Voice and Data Services in New York City's Subway System as Provided by Transit Wireless	90
MULTI-AGENCY	92
Audit Report on the Oversight of the Department of Citywide Administrative Services and the Department of Sanitation over New York City's Contract with Genuine Parts Company	92
Audit Report on the Educational Services Offered by the Departments of Correction and Education to Young Inmates at Rikers Island	94
Audit Report on the City's Oversight over Privately Owned Public Spaces	96
DEPARTMENT OF PARKS AND RECREATION	98
Audit Report on the Department of Parks and Recreation's Monitoring of Its Employees Who Use E-ZPasses and Parking Permits While Driving City-Owned or Personally-Owned Vehicles on City Business	98
Final Letter Audit Report on the Department of Parks and Recreation's Monitoring of Its Employees Who Drive City-Owned or Personally-Owned Vehicles on City Business	100
DEPARTMENT OF PROBATION	102
Final Letter Report on the New York City Department of Probation's Compliance with Local Law 25 Regarding Translation of Agency Website	102
NEW YORK COUNTY PUBLIC ADMINISTRATOR	104
Audit Report of the New York County Public Administrator's Estate Management Practices	104
OFFICE OF THE PUBLIC ADVOCATE	106
Audit Report on the Public Advocate Office's Controls Over Its Inventory of Computers and Computer-Related Equipment	106
DEPARTMENT OF SANITATION	108
Audit Report on the Department of Sanitation's Monitoring of Its Employees Who Use E-ZPasses and Parking Permits While Driving City-Owned or Personally-Owned Vehicles on City Business	108

OFFICE OF THE SPECIAL NARCOTICS PROSECUTOR	110
Audit Report on the Office of the Special Narcotics Prosecutor's Controls over Its Computers and Computer-Related Equipment.....	110
TAXI AND LIMOUSINE COMMISSION	112
Letter Audit Report on the New York City Taxi and Limousine Commission's Monitoring of Drivers Who Are Licensed by the Taxi and Limousine Commission.....	112
DEPARTMENT OF TRANSPORTATION	114
Audit Report on the Department of Transportation's Installation and Maintenance of Street Name Signs	114
DEPARTMENT OF YOUTH AND COMMUNITY DEVELOPMENT	116
Final Letter Report on the New York City Department of Youth and Community Development's Compliance with Local Law 25 Regarding Translation of Agency Website	116

INDEX OF NON-GOVERNMENT FY 2017 AGENCY AUDITS AND SPECIAL REPORTS

TYPE	PAGE
CLAIMS	121
FRANCHISE, CONCESSION, AND LEASE AUDITS	121
NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION	123
Audit Report on the Compliance of Metro Cruise Services, L.L.C. with Its Operating Agreement for the Brooklyn Cruise Terminal.....	123
DEPARTMENT OF PARKS AND RECREATION	125
Audit Report on the Compliance of Queens Ballpark Company, L.L.C. with Its City Parking Facilities Agreements.....	125
Audit Report of the Compliance of Manhattan River Group, L.L.C. with its License Agreements with the City	127
Audit Report on the Compliance of Kissena Golf LLC with Its License Agreement for the Kissena Park Golf Course.....	129
WELFARE FUNDS	131
Audit Report on the Financial and Operating Practices of the United Probation Officers Association Welfare Fund	131
Audit Report on the Financial and Operating Practices of the United Probation Officers Association Retirement Welfare Fund.....	133
Analysis of the Financial and Operating Practices of Union-Administered Benefit Funds with Fiscal Years Ending in Calendar Year 2014.....	135
Analysis of the Financial and Operating Practices of Union-Administered Benefit Funds with Fiscal Years Ending in Calendar Year 2013.....	136

**ECONOMIC IMPACT OF AUDITS OF GOVERNMENT AND
NON-GOVERNMENT AGENCIES
ACTUAL/ POTENTIAL SAVINGS/REVENUE & POTENTIAL COST AVOIDANCE
FROM AUDITS AND SPECIAL REPORTS FOR FISCAL YEAR 2017**

REPORT TYPE	FISCAL YEAR 2017 NUMBER OF REPORTS	FISCAL YEAR 2017 ACTUAL SAVINGS/ REVENUE	FISCAL YEAR 2017 POTENTIAL SAVINGS/ REVENUE(1)	FISCAL YEAR 2017 POTENTIAL COST AVOIDANCE (2)	TOTAL
Government Agencies					
Audits and Special Reports	62	\$1,911,315	\$63,110,937		\$65,022,252
Total Government Agencies	62	\$1,911,315	\$63,110,937		\$65,022,252
Non-Government Agencies	14	\$180,147	\$982,163	\$1,541,666	\$2,703,976
	76	2,091,462	\$64,093,100	\$1,541,666	\$67,726,228

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

(2) The potential cost avoidance amounts are questionable costs used by the Bureau of Law and Adjustment when negotiating settlements with claimants.

SECTION I
GOVERNMENT AUDITS
AND
SPECIAL REPORTS

OFFICE OF ADMINISTRATIVE TAX APPEALS

Audit Report on the Office of Administrative Tax Appeals' Controls over Its Inventory of Computers and Related Equipment

Audit # MG16-101A

Comptroller's Audit Library #8475

Issued: January 4, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the Office of Administrative Tax Appeals (OATA) has adequate controls over its inventory of computers and related equipment.

OATA was established by Local Law 59 of 2007 to bring together the New York City (City) agencies that administer appeals of City taxes. OATA maintains a master inventory list of the agency's computers and related equipment in a Microsoft Excel file. The file is comprised of 10 worksheets for the following categories: PCs and monitors; printers; scanners; storage room; servers; assigned laptops; unassigned items in office; unassigned items in server room; VOIP phones (internet-based phones); and salvage.

As of May 23, 2016, OATA recorded that it had 411 computers and related equipment items in inventory. In Fiscal Year 2015, OATA had a budget of more than \$4.4 million, consisting of \$4.2 million for personal services (PS) expenses and \$267,000 for other than personal service (OTPS) expenses.

Results

The audit found that OATA management failed to institute proper controls over its inventory of computers and related equipment. Specifically, it has not developed policies and procedures for staff to ensure that computers and related equipment are accounted for and are adequately secured. In addition, OATA has not segregated the duties related to maintaining and overseeing inventory among its staff, nor has it established sufficient compensating controls in lieu of segregating those duties. Moreover, OATA does not perform an annual or periodic count of its entire inventory of computers and related equipment.

As a result, the audit found that OATA's inventory records for its computers and related equipment were incomplete and inaccurate. Specifically, OATA's master inventory list did not include certain required information, such as purchase date and price, and the list was not updated in a timely manner. In addition, items were recorded on the list in batches rather than individually, and control numbers were not issued sequentially. The audit also found weaknesses in OATA's relinquishment (i.e., salvage) practices for goods, resulting in the agency's being unable to locate 198 computers and related items.

OATA's failure to institute adequate controls over its inventory operations significantly increases the risk of waste, fraud and mismanagement of inventory, which could impact the agency's ability to meet its operational needs.

The audit makes seven recommendations, including the following:

- OATA should create written policies and procedures that delineate staff responsibilities within OATA to ensure compliance with the Department of Investigation's (DOI's) *Standards for Inventory Control and Management* (the DOI Standards) while conforming to the specific needs and operations of the agency.

- OATA should ensure that key responsibilities for the management of the inventory of computers and related equipment are adequately segregated or that compensating controls are implemented.
- OATA should perform and document annual inventory counts of its entire inventory and conduct periodic reconciliations between inventory records and its purchasing records.
- OATA should maintain complete and accurate records of all equipment in accordance with the DOI Standards. This includes immediately and accurately updating its inventory records when changes occur.
- OATA should comply with the City's relinquishment policy and ensure that all unused computers and related equipment presently in storage are relinquished in accordance with the requirements.

In its response, OATA generally agreed with six recommendations and appeared to disagree with the recommendation that it create written policies and procedures.

Audit Follow-up

OATA reported that all audit recommendations have either been implemented or are in the process of being implemented.

OFFICE OF ADMINISTRATIVE TRIALS AND HEARINGS

Audit Report on the Compliance of the New York City Office of Administrative Trials and Hearings with Executive Order 120 Regarding Limited English Proficiency

Audit # SZ17-059A

Comptroller's Audit Library #8476

Issued: January 6, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the New York City Office of Administrative Trials and Hearings (OATH) is in compliance with Executive Order (EO 120), which requires that City agencies providing direct services to the public create a language access implementation plan to ensure meaningful language access to their services.

New York City, with a population of more than 8.5 million people, is home to one of the most diverse populations in the world, with more than 3.2 million foreign-born residents from more than 200 countries. According to the New York City Department of City Planning, nearly one-half of all New Yorkers speak a language other than English at home, and almost 25 percent of City residents age five and over, or 1.8 million persons, are not proficient in English. For residents with limited English proficiency, interacting with City government and receiving access to City services can be a challenge.

Local Law 73 was enacted in 2003 to enhance the ability of the City's LEP residents to interact with City government and, more specifically, to obtain needed social services. The law applies to four social service agencies: the Human Resources Administration; the Department of Homeless Services; the Administration for Children's Services; and the Department of Health and Mental Hygiene. It requires that free language assistance services be provided for clients when they seek to obtain services at any of these agencies, as well as job centers and food stamp offices.

In July 2008, Mayor Bloomberg signed EO 120, which requires all City agencies to provide opportunities for limited English speakers to communicate with City agencies and receive public services. EO 120 specifically requires City agencies providing direct public services to ensure meaningful access to those services to LEP persons. To accomplish this, EO 120 requires these agencies to develop and implement agency-specific language assistance plans for LEP persons.

Results

The audit found that in its offices, OATH generally complied with EO 120. Our review of OATH's Language Access Plans from 2009 through 2015 demonstrates that OATH has made steady progress in its efforts to provide meaningful language access to the agency's services for LEP customers at its seven business centers. Each annual Language Access Plan described the steps that OATH has taken to provide additional services to the LEP population. Further, the audit found that OATH generally provides direct services to its customers in the top six New York City LEP languages at its seven business centers located throughout the five boroughs, Monday through Friday from 8:00 a.m. to 5:00 p.m. Finally, the audit found that through a City-wide contract with Language Line Services, Inc. and other translation services, OATH has the ability to provide document translation and phone interpretation services in over 250 languages.

In their written response, OATH officials generally agreed with the audit and stated, “OATH has reviewed the report and the Findings and Recommendations and thanks the Office of the Comptroller for its finding that OATH complied with Executive Order 120 and provided meaningful language access to OATH's services for LEP respondents at our seven locations. OATH will continue to give meaningful language access to our services for LEP respondents and all of our locations and continue to make strides to give access to justice to all who appear at our tribunals.”

OFFICE OF ADMINISTRATIVE TRIALS AND HEARINGS

Final Letter Report on the New York City Office of Administrative Trials and Hearings' Compliance with Local Law 25 Regarding Translation of Agency Website

Audit # SZ17-106AL

Comptroller's Audit Library #8484

Issued: March 30, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the Office of Administrative Trials and Hearings (OATH) is complying with Local Law 25, which is intended to make City agencies, and ultimately the City as a whole, more accessible to foreign-born residents whose primary language is not English.

New York City, with a population of more than 8.5 million people, is home to one of the most diverse populations in the world, with more than 3.2 million foreign-born residents from more than 200 countries. According to the New York City Department of City Planning, nearly one-half of all New Yorkers speak a language other than English at home, and almost 25 percent of City residents age five and over, or 1.8 million persons, are not proficient in English. For residents with limited English proficiency, interacting with City government and receiving access to City services can be a challenge.

In 2016, Mayor de Blasio signed Local Law 25, amending the City's Administrative Code in relation to citizens' ability to access translation of City websites. Local Law 25 requires that every website maintained by or on behalf of a City agency include a translation service enabling users to view the text of that website, wherever practicable, in languages other than English. It also requires that the translation service be identifiable in a manner that is comprehensible to speakers of the seven most commonly spoken languages in the city.

Results

The audit found that OATH generally complied with Local Law 25. OATH's website, found at <http://www.nyc.gov/html/oath/html/home/home.shtml>, fully translated into each of the seven most commonly spoken languages within the City. In addition, the essential documents attached to OATH's website can be downloaded in the translated versions. Forms that are usually filled out by a lawyer or other type of representatives (e.g., interpreter, union representative) on behalf of persons with limited English proficiency may not be available for translation online. Generally those forms relate to the appeal process.

In its written response, OATH agreed with the report's findings and stated, "OATH has reviewed the report and the Findings and Recommendations and thanks the Office of the Comptroller for its finding that OATH effectively meets the needs of residents with limited English proficiency when accessing City services online. OATH will maintain its compliance with Local Law 25 to ensure that the residents with limited English proficiency can effectively navigate the Administrative Law Court of the City of New York."

DEPARTMENT FOR THE AGING**Audit Report on the Department for the Aging's Monitoring of Senior Centers**

Audit # MG16-111A

Comptroller's Audit Library #8520

Issued: June 27, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the Department for the Aging (DFTA) adequately monitors the senior centers with which it contracts to ensure that they are in a safe and clean condition in accordance with DFTA's procedures and guidelines.

DFTA is responsible for planning, administering and coordinating the provision of services designed to help many of New York City's (City's) senior citizens maintain their independence and participate in their communities. DFTA provides services to seniors directly and through contracts with community-based organizations. In connection with its oversight of contracted service providers, DFTA's Bureau of Community Services unit conducts both announced and unannounced formal assessments four times each fiscal year of each DFTA-contracted senior center, through inspections by program officers and nutritionists. At the conclusion of each assessment visit, DFTA issues an Assessment Report to the center's director, detailing the results of the visit and, if applicable, the deficiencies that the center is required to rectify.

During Fiscal Year 2016, DFTA contracted with 249 senior centers and, among many other services, provided 7.6 million meals (breakfast, lunch and dinner) to clients at those senior centers. During that same period, DFTA employed 16 program officers and 10 nutritionists to oversee the senior centers.

Results

DFTA's monitoring of its contracted senior centers needs to be improved. Although DFTA has standards, procedures, and personnel in place to monitor the 249 senior centers, it did not adequately track deficiencies identified in the centers or the implementation of plans to correct them. Those oversight failures result, in part, from a lack of continuity in DFTA's monitoring efforts from year to year. Based on the findings of this and previous audits, it appears that DFTA's monitoring shortcomings have allowed some City-funded senior centers to operate with chronic unaddressed deficiencies. The failure to adequately address longstanding problems may have been exacerbated by the absence of established standards to guide DFTA staff on whether, when, and how they should assist senior centers to improve their conditions and operations. Such standards might include guidance on how DFTA staff could assist the centers in their interactions with City agencies to help with obtaining permits, inspections, and in some cases—specifically with the New York City Housing Authority (NYCHA)—basic maintenance. The current absence of such standards and guidance is of particular concern, given the conditions observed at senior centers in NYCHA developments and with the lack of required permits from City agencies.

Further, the audit found that DFTA has not established performance or productivity benchmarks for its staff, some of whom expressed concerns to auditors about their workload levels. Finally, DFTA lacks an effective complaint tracking system that would assist management in identifying problem areas needing corrective action.

The audit makes 10 recommendations, including the following:

- DFTA should establish an effective information system that tracks all serious deficiencies and recurring problems found at each senior center until they are resolved.
- DFTA should work with NYCHA officials to enhance communication and coordination of efforts regarding the deficiencies and required repairs at senior centers located in NYCHA facilities.
- DFTA should create policies and procedures for its program officers, nutritionists, and other relevant agency personnel in sufficient detail--with a resource guide and examples where warranted--to ensure that DFTA staff understand the kinds of assistance they should provide to centers to help facilitate their interactions with City agencies and third parties, and to achieve compliance with DFTA's standards for the safe conditions and effective operation of senior centers.
- DFTA should conduct a study to determine the adequacy of its staffing and structure in relation to the number of senior centers it oversees, and whether its current staffing levels are adequate to ensure thorough assessments, monitoring, follow-up, and assistance to DFTA's standards for senior centers.
- DFTA should maintain a record of all complaints it receives pertaining to senior centers, so it can track and monitor the resolution of the complaints and identify specific areas that require additional attention.

In its response, DFTA generally agreed with the audit's 10 recommendations.

Audit Follow-up

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

DEPARTMENT FOR THE AGING**Audit Report of the New York City Department for the Aging's Oversight of Senior Citizen Centers' Compliance with Their Agreements Regarding Limited English Proficiency**

Audit # SZ16-109A

Comptroller's Audit Library #8461

Issued: October 20, 2016

Monetary Effect: None

Introduction

This audit was conducted to determine whether the senior citizen centers (the Centers) funded by the New York City Department for the Aging (DFTA) complied with their contractual requirements to provide meaningful language access services to clients who are limited English proficient (LEP), and whether DFTA provided oversight to ensure that the Centers are in compliance. This audit focused on both DFTA and its 260 contracted Centers.

DFTA's mission is to work for the empowerment, independence, dignity, and quality-of-life of New York City's older adults, and for the support of their families through advocacy, education, and the coordination and delivery of services. In Fiscal Year 2016, over 90 percent of DFTA's \$310 million budget was used to ensure that the Centers were in compliance and to ensure that community partners deliver services to the aging population. Over 60 percent of DFTA's budget was used to fund the Centers. The Centers provide social and physical activities for their participants and most provide meals and snacks. According to DFTA, the total average daily attendance at the Centers was 27,812 for Fiscal Year 2015 and 28,416 for the first four months of Fiscal Year 2016.

Results

This audit found that DFTA did not effectively oversee the Centers to ensure that they were in compliance with contract requirements mandating access to services by the LEP community. Moreover, although DFTA as an agency has had a Language Access Plan in place since 2009, most of the Centers—contrary to contract requirements—did not have individual Language Access Plans as recently as March 2016, the date of our last visit to the Centers. Further, the Centers were not in compliance with additional contract requirements related to services for the LEP community. In particular, the audit found that neither Language Line nor any other telephonic interpretation service was available at 27 (84 percent) of the 32 Centers that were visited. Officials at the other five Centers told us that they had recently initiated some aspects of language access services.

The audit also found that the Centers generally did not have a mechanism in place to accommodate residents who do not speak the predominant languages in those communities. Despite contracts requiring them to "inform persons with limited English proficiency . . . of the availability of language assistance, free of charge, by providing written notice of such assistance in a manner designed to be understandable," 75 percent of the Centers sampled did not have the required multi-language signs posted indicating that free interpretation services were available.

The audit made the following three recommendations:

- DFTA should ensure that all Centers adhere to their contracts and provide meaningful access to their services to the LEP population. At a minimum, DFTA should ensure that each Center:
 - Develops and submits a Language Access Plan to DFTA;
 - Contracts with a language interpretation service provider such as Language Line; and
 - Provides the necessary training to their staff on the use of this service.
- DFTA should ensure that signs notifying seniors of the availability of free language assistance are prominently displayed at the entrance to each Center. This would minimize the chances of seniors visiting a Center and leaving without receiving needed services because of a lack of communication.
- DFTA should monitor the providers of all DFTA-funded programs to ensure that they are adhering to the provisions of their contract regarding LEP requirements.

In its response, DFTA agreed with the recommendations and stated, “Thank you for the opportunity to respond to your September 16, 2016 ‘Audit Report of the New York City Department for the Aging’s (DFTA) Oversight of Senior Citizen Centers’ with Their Agreements Regarding Limited English Proficiency (LEP).’ We would like to thank the Comptroller’s auditors for their recommendations: all of which have been fully implemented.”

Audit Follow-up

DFTA reported that all of the audit recommendations have been implemented.

DEPARTMENT FOR THE AGING**Final Letter Report on the New York City Department for the Aging's Compliance with Local Law 25 Regarding Translation of Agency Website**

Audit # SZ17-131AL

Comptroller's Audit Library #8507

Issued: June 16, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the Department for the Aging (DFTA) complied with Local Law 25, which governs the translation of websites of New York City agencies. The objective of this audit was to determine whether DFTA is complying with the local law, which is intended to make City agencies more accessible to foreign-born residents with limited English proficiency by ensuring that they have adequate access to information, benefits and services provided on City websites.

New York City, with a population of more than 8.5 million people, is home to one of the most diverse populations in the world, with more than 3.2 million foreign-born residents from more than 200 countries. According to the New York City Department of City Planning, nearly one-half of all New Yorkers speak a language other than English at home, and almost 25 percent of City residents age five and over, or 1.8 million persons, are not proficient in English. For residents with limited English proficiency, interacting with City government and receiving access to City services can be a challenge.

Most City agencies have a significant presence on the internet and they rely on agency websites to provide information and interact with the public. Accordingly, in 2016, Mayor de Blasio signed Local Law 25, amending the City's Administrative Code in relation to citizens' ability to access translation of City websites. Local Law 25 requires that every website maintained by or on behalf of a City agency include a translation service enabling users to view the text of that website, wherever practicable, in languages other than English. It also requires that the translation service be identifiable in a manner that is comprehensible to speakers of the seven most commonly spoken languages in the city. As determined by the Department of City Planning, the seven most commonly spoken languages in New York City amongst residents with limited English proficiency are Spanish, Chinese (includes Cantonese, Mandarin and Formosan), Russian, Bengali, French Creole (also called Haitian Creole), Korean and Arabic.

Results

The audit found that DFTA generally complies with Local Law 25. DFTA's website, found at <http://www.nyc.gov/html/dfta/html/home/home.shtml>, includes a translation feature for viewing text in the top seven languages spoken by residents with limited English proficiency. The website provides information for seniors, including senior services and programs, benefits and resources, health and wellness, job training and volunteering. All of this information can be translated into the City's top seven languages. Furthermore, DFTA's website contains a periodically-issued "Senior News" newsletter, which can also be translated into the City's top seven languages. However, the audit found attachments accessed through DFTA's website that only translate into three or four of the top seven languages.

The audit recommended that DFTA continue to adhere to the requirement of Local Law 25 that the agency's website offer translations into the City's top seven languages. Doing so will ensure that the agency will meet the needs of residents with limited English proficiency who seek to access City services online. The audit also recommended that DFTA ensure that all uploaded documents linked to its website translate into the top seven languages spoken by residents with limited English proficiency.

In its response, DFTA agreed with the report's recommendations and stated that "DFTA will continue to adhere to the requirements of Local Law 25 that the agency's website offer translations into the City's top seven languages. We will also ensure that all essential uploaded documents linked to DFTA's website translate into the top seven languages spoken by residents with limited English proficiency."

Audit Follow-up

DFTA reported that it has either implemented or is in the process of implementing the audit recommendations.

CAMPAIGN FINANCE BOARD

Audit Report on the New York City Campaign Finance Board's Controls over Its Computer and Other Computer-Related Equipment

Audit # SR17-077A

Comptroller's Audit Library #8479

Issued: February 23, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the New York City Campaign Finance Board (CFB) is complying with certain inventory procedures as set forth in the Department of Investigation's (DOI's) *Standards for Inventory Control and Management* (the DOI Standards), and is maintaining internal control systems as required by Comptroller's Directive #1.

The CFB was established in 1988 as an independent, nonpartisan agency. It is charged with limiting the role and influence of private money in the political process, by matching small contributions with public matching funds to individuals running for public office. The CFB is also required to publish a voter guide and provide public disclosure of campaign finance information. Additionally, the CFB holds candidates accountable for using public funds responsibly by conducting post-election audits that could result in candidates having to repay the public funds received and additional penalties. The CFB also publishes detailed public information about money raised and spent in city elections by candidates and independent spenders. The CFB also seeks to improve the voter experience by advocating for legislative changes to the registration and voting process.

Results

The audit found that the CFB failed to adhere to the DOI Standards or to Comptroller's Directive #1. Overall, the audit found that the CFB's inventory records for office equipment were incomplete and inaccurate. While auditors were able to account for all 726 items listed in the CFB's inventory records, 38 items purchased by the CFB were physically located in the CFB's premises, but not listed on its current inventory records. The audit also found 20 items that were not properly tagged. Thus, it appears that the CFB's inventory and inventory records have not been consistently and reliably updated to reflect the CFB's receipt of incoming items. The audit further identified one item that was purchased during Fiscal Year 2014 that could not be located during visits to the CFB and that was not recorded on the inventory list. In addition, the audit found numerous instances of noncompliance with other inventory controls, including that the CFB failed to consistently record asset-control numbers and serial numbers, and that there were duplicate serial numbers and duplicate asset-control numbers in the CFB's records. Based on the inventory control weaknesses found during testing, the audit concludes that there is a potential risk of loss, misappropriation or theft.

This audit made a total of five recommendations, including that the CFB should:

- Maintain complete and accurate records of all equipment in accordance with the DOI Standards and Comptroller's Directive #1.
- Update its inventory records promptly and accurately when any inventory changes occur, including new purchases.
- Conduct an annual inventory count of all its computer and computer-related equipment, ensuring that accurate information regarding all such items is properly recorded in the inventory records.

- Ensure that the annual inventory count of computer equipment is properly supervised.
- Affix proper identification tags marked “Property of the City of New York” to all electronic equipment items and include a sequential internal control number.

In its response, the CFB agreed with all of the report’s findings and recommendations and described the steps it has taken or will take to implement the report’s recommendations. Specifically, CFB officials stated, “Corrective actions have been taken to ensure that the deficiencies identified by the audit do not occur again. These corrective actions include revising our internal procedures, reassigning responsibility for inventory tasks, implementing a yearly audit process, and retraining staff on correct inventory procedures.”

Audit Follow-up

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

CHARTER SCHOOLS

Audit Report of Success Academy Charter Schools-NYC Oversight of Financial Operations

Audit # FK15-092A

Comptroller's Audit Library #8471

Issued: December 19, 2016

Monetary Effect: Potential savings to the City: \$50,825¹
 Potential savings to Success Academy: \$624,342²

Introduction

This audit was conducted to review Success Academy Charter Schools-NYC's (Success Academy's) oversight of its financial and operating practices. Charter schools are independent public schools operated by not-for-profit corporations that are governed by boards of trustees and managed under contracts with government authorizers, also known as "charter agreements." Success Academy, which served 8,715 students enrolled in kindergarten through ninth grade at 24 different schools in Fiscal Year 2015, is an educational corporation that is authorized by the State University of New York (SUNY) to operate multiple charter schools under its Third Amended and Restated Second Renewal Charter dated October 31, 2014 (the Charter Agreement).

During the audit period, Fiscal Years 2013 through 2015 (July 1, 2012, through June 30, 2015), Success Academy was also party to an Academic and Business Services Agreement (Management Agreement) with Success Academy Charter Schools, Inc. (the Network), an educational service provider retained to manage the operations of Success Academy's multiple schools. Although Success Academy (the entity that employs the teachers and operates the schools) and the Network (the entity that oversees the financial affairs of the schools) are both named "Success Academy" (Success Academy Charter Schools-NYC in the case of the educational corporation, and Success Academy Charter Schools, Inc. in the case of the Network), in order to distinguish between the two in this report, we refer to the educational corporation as "Success Academy" and the management company as "the Network."

This audit focused on Success Academy (the educational corporation). Based on a broad review of Success Academy's financial practices and controls, its Harlem 3 charter school was chosen for detailed testing. Pursuant to the Management Agreement, the Network is responsible for most aspects of the management and operations of the schools. Accordingly, much of the information necessary to complete the audit was obtained from the Network. The Management Agreement authorized Success Academy to pay the Network 15 percent of the final adjusted expense per pupil. For Fiscal Year 2015, Success Academy reported that it paid the Network management fees of \$18.3 million.

Results

The audit found that Success Academy made duplicative payments to the Network totaling \$624,342 for services the Management Agreement required the Network to provide in exchange for its 15 percent management fee. Further, Success Academy incorrectly classified some of its expenses—specifically the management fee it paid to the Network—in its Fiscal Year 2015 certified financial statements and in the Harlem 3 annual charter school report card submitted to SUNY.

¹ Potential cost savings to the City is comprised of \$50,825 billed to the New York City Department of Education (DOE) by Success Academy for greater levels or a greater duration of special education services than it documented were actually provided to students.

² Potential cost savings to Success Academy is comprised of \$624,342 paid to the Network on behalf of multiple Success Academy schools for activities that were the responsibility of the Network by virtue of the Management Agreement, and so payment for these services should have been included in the management fee paid to the Network.

As a result, Success Academy significantly understated its administrative expenses and overstated its program services expenses, which made it appear that a much greater percentage of Success Academy's expenses went towards program services than was actually the case.

In addition, the audit found that Success Academy billed DOE \$50,825 for special education services for 6 out of 21 sampled students (28.6 percent) at Harlem 3 that were not documented in Success Academy's records as having actually been provided. Moreover, Success Academy's records did not adequately document that purchasing expenses were reasonable, appropriate, adequately supported and properly authorized; that it had obtained appropriate proof of residency for students; that employees always had required fingerprints and background checks completed and cleared before they began working in schools, and that it had properly documented and obtained approval for \$8.5 million in loans from a related party in accordance with applicable rules.

The audit made 28 recommendations, including that:

- Success Academy should recoup the \$624,342 paid to the Network for expenses charged to Harlem 3 and other Success Academy schools.
- Success Academy should comply with generally accepted accounting principles and New York State Education Department guidelines and develop, document, and utilize functional expense allocation methodologies that are fair and reasonable.
- Success Academy should reimburse DOE for special education services that were not provided at all or were not fully provided.
- Success Academy should maintain appropriate proof of residency for all students, and obtains required fingerprint and background clearances for employees.

Success Academy did not respond to any of the audit recommendations and disagreed with most of the findings.

Audit Follow-up

Success Academy continues to disagree with most of the audit findings and claims it has in the past and will continue to comply with the audit recommendations.

OFFICE OF CHIEF MEDICAL EXAMINER**Final Letter Report on the New York City Office of Chief Medical Examiner's Compliance with Local Law 25 Regarding Translation of Agency Website**

Audit # SZ17-117AL

Comptroller's Audit Library #8495

Issued: May 18, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the Office of Chief Medical Examiner (OCME) complied with Local Law 25, which governs the translation of websites of New York City agencies. Local Law 25 is intended to make City agencies, and ultimately the City as a whole, more accessible to foreign-born residents whose primary language is not English. This audit of OCME was one in a series of audits we are conducting of the City's compliance with Local Law 25.

New York City, with a population of more than 8.5 million people, is home to one of the most diverse populations in the world, with more than 3.2 million foreign-born residents from more than 200 countries. According to the New York City Department of City Planning, nearly one-half of all New Yorkers speak a language other than English at home, and almost 25 percent of City residents age five and over, or 1.8 million persons, are not proficient in English. For residents with limited English proficiency, interacting with City government and receiving access to City services can be a challenge.

Most City agencies have a significant presence on the internet and rely on agency websites to both provide information and to interact with the public. Accordingly, in 2016, Mayor de Blasio signed Local Law 25, amending the City's Administrative Code in relation to citizens' ability to access translation of City websites. Local Law 25 requires that every website maintained by or on behalf of a City agency include a translation service enabling users to view the text of that website, wherever practicable, in languages other than English. It also requires that the translation service be identifiable in a manner that is comprehensible to speakers of the seven most commonly spoken languages in the city. As determined by the Department of City Planning, the seven most commonly spoken languages in New York City amongst residents with limited English proficiency are Spanish, Chinese (including Cantonese, Mandarin and Formosan), Russian, Bengali, French Creole (also called Haitian Creole), Korean and Arabic.

Results

The audit found that OCME generally complies with Local Law 25. OCME's website, found at <http://www1.nyc.gov/site/ocme/index.page>, includes a translation feature for viewing text in various languages, including the top seven noted languages, and key documents in the top most frequently encountered languages of residents with limited English proficiency.

OCME's primary function involves the investigation, examination and analysis of deceased persons. Its website provides important information pertaining to its functions and services, how services are accessed and its locations. The website also provides answers to frequently asked questions. OCME defines its vital forms as official documents that require signatures and brochures that explain key practices and policies of the agency.

Auditors found that OCME's website provided a "General Information" brochure and a brochure entitled "Information for Family and Friends" that could be translated into nine languages: Arabic, Chinese, French, Hindi, Italian, Korean, Polish, Russian and Spanish. Auditors found that the

information in the “Information for Family and Friends” brochure had been incorporated into the “Frequently Asked Questions” section of the website and that the information in the “General Information” brochure had been incorporated into other sections of the website. The audit also found that all of this information could be accessed in the top seven languages upon translation of the website.

In its response, OCME agreed with the report’s findings and stated, “OCME has reviewed the Report and the Findings and Recommendations, and thanks the Office of the Comptroller for its finding that OCME generally complies with Local Law 25, including a translation feature on our website for viewing text and key documents in various languages including the top most frequently encountered languages of residents with limited English proficiency. OCME will continue to maintain compliance with Local Law 25 to ensure we effectively meet the needs of residents with limited English proficiency when accessing City services online.”

ADMINISTRATION FOR CHILDREN'S SERVICES

Review of ACS Child Abuse and Neglect Investigations

Report # RI17-100S

Comptroller's Audit Library # 8472

Issued: December 21, 2016

Monetary Effect: None

This letter, a follow-up to the June 15, 2016 *Audit Report On The Administration For Children's Services' Controls Over Its Investigation of Child Abuse And Neglect Allegations*, MG15-061A, was sent to the Commissioner of the Administration for Children's Services (ACS) identifying ongoing issues in the supervision of ACS investigations of allegations of abuse and neglect. This follow-up letter was not publicly issued.

ADMINISTRATION FOR CHILDREN'S SERVICES

Audit Report on Good Shepherd Service's Compliance with Its Close to Home Contract with the Administration for Children's Services

Audit # MD17-066A

Comptroller's Audit Library #8519

Issued: June 27, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether Good Shepherd Services (GSS) was in compliance with the key terms of its "Close to Home" contract with the Administration for Children's Services (ACS).

The Close to Home Program (CTH), started in 2012, is administered by ACS. It is intended to allow youths who are deemed juvenile delinquents by the Family Court to be placed in residential programs close to their families and communities. ACS contracts with non-profit providers to operate CTH Non-Secure Placement (NSP) group homes in or right outside of the five boroughs. Youths in the NSP program receive individualized educational services through the New York City Department of Education. They also receive medical, mental health and substance abuse services as needed, and participate in recreational, cultural and group activities within and outside of the group home.

ACS contracted with GSS to provide services to youths during the period covering July 1, 2012, through June 30, 2015. The contract was subsequently renewed for July 1, 2015, through June 30, 2018, with options to renew at the discretion of ACS through June 30, 2021. GSS currently operates two NSP residential facilities: the Barbara Blum residence (Barbara Blum) for boys, and Rose House for girls, both located in Brooklyn.

Results

The audit found that GSS was not in compliance with some of the key terms of its contract with ACS. Specifically, the audit found that: (1) behavior plans were not consistently prepared; (2) mental health assessments were not consistently obtained or conducted; (3) educational assessments were not performed in a timely fashion; (4) monthly team treatment meetings were not consistently conducted; and (5) there was limited evidence that required recreation was provided to the youths in residence.

The audit also found that GSS did not consistently record incidents in the required three sets of records: (1) the Connection (CNNX) progress notes; (2) a hard-copy incident report; and (3) the communication log maintained at the NSP facility. Further, the hard-copy incident reports that GSS did complete were not consistently signed by supervisors, and GSS's communication logs were not consistently maintained in good order. The audit also found that GSS incorrectly billed ACS (both over and under the proper amounts) for care days for three of the 10 sampled youth.

The audit made 15 recommendations, including:

- GSS should ensure that behavior plans are prepared for all youths, and that it obtains or performs mental health screenings for all youth in its care.
- GSS should ensure that educational assessments are performed timely.
- GSS should ensure that team treatment meetings are held monthly for all youths and that the minutes are maintained at all times in the youth's case records.

- GSS should ensure that recreational schedules are posted in the residences and that communication logbooks document recreational activities that take place.
- GSS should ensure that all incidents are properly reported to ACS; recorded in CNNX and the communication logbooks, including MCCU incident report numbers; and properly documented in hard-copy incident reports, signed by supervisors and maintained in the appropriate bound incident logs.
- GSS should ensure that Change of Status forms are completed and submitted in all instances of youth movement from the youth's assigned NSP facility so that care days are correctly billed and care days and payments are adequately reconciled to ensure accurate payments.
- ACS should amend the contract with NSP providers to update the contract requirement regarding AWOL-reporting to the police and ensure that the relevant provisions of its NSP contracts conform to both current ACS policy and the applicable statutes and regulations.

In its response, GSS generally agreed with 10 of the 15 recommendations addressed to GSS, disagreed with one recommendation, and did not specifically address four recommendations. In its response, ACS disagreed with the one recommendation addressed to ACS.

Audit Follow-up

GSS reported that 14 recommendations have either been implemented or are in the process of being implemented and that the remaining recommendation is no longer applicable. GSS stated that "Per ACS directive, NSP programs are no longer charged with the responsibility for primary education planning and transition."

ACS continues to disagree with the audit recommendation that it amend the contract with NSP providers regarding AWOL-reporting to the police and ensure that the relevant provisions of its contracts conform to both current ACS policy and the applicable statutes and regulations. In its response, ACS argued that changes can be made through ACS policies and referred to a specific policy it enacted. However, the ACS policy to which it refers does not expressly state that it supersedes the contract or address the question of whether the contractor has any independent legal obligation to report an AWOL youth to the police, as suggested by the contract.

ADMINISTRATION FOR CHILDREN'S SERVICES

Audit Report on the Hamilton-Madison House Child Care Center's Screening of Personnel through the Statewide Central Register of Child Abuse and Maltreatment

Audit # ME17-114A

Comptroller's Audit Library #8508

Issued: June 20, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether personnel working at the Hamilton-Madison House (HMH) child care center located at 253 South Street in Manhattan have been properly screened through the Statewide Central Register of Child Abuse and Maltreatment (SCR). New York City Health Code §47.19 requires that all child care center employees and volunteers undergo an SCR clearance review prior to being hired and every two years thereafter.

Child care centers are essential for many working families. They contribute to the overall development of children by providing education, recreation, and a safe and structured environment for children while their parents work. HMH operates a child care center for three and four year-old children at 253 South Street in Manhattan (and at three other locations) under contract with the New York City Administration for Children's Services.

Results

This audit reviewed the SCR-clearance status of eight individuals who were working as employees or volunteers at the HMH child care center at 253 South Street as of January 17, 2017, and found that for five individuals—four employees and one volunteer—HMH had not obtained the most recently required SCR clearance in a timely manner. Moreover, the clearances were late by periods that ranged from 11 days to nearly two years. The audit also found that HMH had not obtained any SCR clearance for one volunteer for eight years.

The audit made five recommendations to HMH, including that it ensure that all of its personnel receive required initial SCR clearances before they start work, and the renewal SCR clearances within two years of their prior clearances.

In its written response, HMH generally agreed with the audit's five recommendations. But it did not fully respond to one of them because it only addressed the maintenance of personnel files for its employees and not for its volunteers.

Audit Follow-up

HMH reported that four of the five audit recommendations have either been implemented or are in the process of being implemented. For the remaining recommendation, HMH reported that it had implemented the part of the recommendation that relates to the maintenance of personnel files for its employees. But it did not report on whether it had implemented the part of the recommendation that relates to the maintenance of personnel files for its volunteers.

ADMINISTRATION FOR CHILDREN'S SERVICES

Audit Report on the Brooklyn Kindergarten Society's Screening of Personnel through the Statewide Central Register of Child Abuse and Maltreatment

Audit # ME17-115A

Comptroller's Audit Library #8510

Issued: June 21, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether personnel working at the Brooklyn Kindergarten Society's Brevoort Children's Center (BCC) located at 250 Ralph Avenue in Brooklyn have been properly screened through the Statewide Central Register of Child Abuse and Maltreatment (SCR). New York City Health Code §47.19 requires that all child care center employees and volunteers undergo an SCR clearance review prior to being hired and every two years thereafter.

Child care centers are essential for many working families. They contribute to the overall development of children by providing education, recreation, and a safe and structured environment for children while their parents work. The Brooklyn Kindergarten Society operates a child care center for children two to four years old at 250 Ralph Avenue in Brooklyn (and at four other locations) under a contract with the New York City Administration for Children's Services.

Results

This audit reviewed the SCR-clearance status of 19 individuals who were working as employees at BCC as of January 19, 2017, and found that for five employees, BCC had not obtained the most recently required SCR clearances on time; the clearances were late by periods that ranged from 20 days to over one year and three months. The audit also found that BCC had not obtained an SCR clearance for one employee even though the individual had been hired more than six months earlier.

The audit made three recommendations to the Brooklyn Kindergarten Society, including that it ensure that all of its personnel receive the required initial SCR clearances before they start work and renew SCR clearances within two years of their prior clearances.

In its written response, the Brooklyn Kindergarten Society agreed with the audit's recommendations.

Audit Follow-up

The Brooklyn Kindergarten Society reported that all of the audit recommendations have been implemented.

ADMINISTRATION FOR CHILDREN'S SERVICES

Audit Report on The Child Center of New York's Screening of Personnel through the Statewide Central Register of Child Abuse and Maltreatment

Audit # ME17-121A

Comptroller's Audit Library #8514

Issued: June 23, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether personnel working at The Child Center of New York (TCCNY) at 34-10 108th Street in Queens have been properly screened through the Statewide Central Register of Child Abuse and Maltreatment (SCR). New York City Health Code §47.19 requires that all child care center employees and volunteers undergo an SCR clearance review prior to being hired and every two years thereafter.

Child care centers are essential for many working families. They contribute to the overall development of children by providing education, recreation, and a safe and structured environment for children while their parents work. TCCNY operates a child care center for three and four year-old children at 34-10 108th Street in Queens (and at two other locations) under a contract with the New York City Administration for Children's Services.

Results

This audit reviewed the SCR-clearance status of 37 individuals who were working as employees at TCCNY at 34-10 108th Street in Queens as of January 31, 2017, and found that for 22 employees, TCCNY had not obtained the most recently required SCR clearances on time. Moreover, the clearances were late by periods that ranged from five days to over 11 months (344 days).

The audit made three recommendations to TCCNY, including that it ensure that its personnel receive SCR renewal clearances within two years of their prior clearances.

In its written response, TCCNY agreed with two the audit's three recommendations and disagreed with one.

Audit Follow-up

TCCNY reported that all of the audit recommendations have been implemented.

CITY CLERK AND CLERK OF THE COUNCIL

Audit Report on the Office Equipment Inventory Practices at the Office of the City Clerk and Clerk of the Council

Audit # SR16-114A

Comptroller's Audit Library #8460

Issued: October 6, 2016

Monetary Effect: None

Introduction

This audit was conducted to determine whether the New York City Office of the City Clerk and Clerk of the Council (City Clerk) is complying with inventory procedures set forth in the Department of Investigation's (DOI's) *Standards for Inventory Control and Management* (the DOI Standards), and whether it is maintaining effective internal controls over office equipment as required by New York City Comptroller's Directive #1.

The City Clerk serves as both the Clerk of the City of New York and the Clerk of the New York City Council. Among other responsibilities, the City Clerk attests to the authenticity of leases and deeds of City property, grants, agreements, bonds, tax notes, and other forms of obligations of the City. The City Clerk also maintains the City's official papers and documents, including the Mayor's executive and administrative orders and certificates of judicial appointments.

In addition, the City Clerk operates two separate bureaus: the Lobbying Bureau and the Marriage Bureau. The Lobbying Bureau is responsible for the enforcement of the City's Lobbying Law, including the registration of lobbyists and the receipt of periodic reports from lobbyists on their lobbying activities, as well as the audit of those reports. The Marriage Bureau provides marriage licenses, registers domestic partnerships, and conducts civil marriage ceremonies. The City Clerk maintains an office in each of the five boroughs of the City. During Fiscal Year 2015, Other Than Personal Service expenditures for the City Clerk's Office amounted to \$1,771,722.

Results

This audit found that the City Clerk has segregated the duties for purchasing, receiving, and maintaining the inventory of office equipment among different staff members in accordance with Comptroller's Directive #1. However, the City Clerk did not maintain complete and accurate inventory records for all office equipment as required by the DOI Standards. Thus, while the audit did not identify any items that were missing, it was not able to determine if anything was, in fact, missing because the required inventory lists were incomplete. Specifically, during observations at the City Clerk's offices, auditors identified 17 pieces of equipment that were not listed on the inventory records, and 27 items that were listed without serial numbers or with incorrect serial numbers. Based on the omissions and inaccuracies found in the inventory records, the audit concluded that there are risks of loss, misappropriation or theft.

In addition, the audit found that the City Clerk purchased five items of office equipment using incorrect object codes. Furthermore, the City Clerk's office purchased 11 new PCs at a time when it already had 4 unused new PCs in reserve-storage, and subsequently placed 5 of the 11 newly purchased PCs in storage as well, ultimately increasing the number of reserve PCs to 9.

The audit made four recommendations:

- The City Clerk should maintain complete and accurate records of all office equipment in accordance with the DOI Standards and Comptroller's Directive #1.
- The City Clerk should affix only one sequentially numbered property identification tag to each office equipment item.
- The City Clerk should purchase only items that are needed for its operations.
- The City Clerk should purchase all office equipment using the correct object code in accordance with Comptroller's Directive #24, *Agency Purchasing Procedures and Controls*.

In its response, the City Clerk agreed with the report's findings and recommendations and described steps the office has taken or will take to implement the report's recommendations. Specifically, the City Clerk stated, "This office has reviewed the draft report and we accept the recommendations."

Audit Follow-up

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

CITY CLERK AND CLERK OF THE COUNCIL

Final Letter Report on the New York City Office of the City Clerk and Clerk of the City Council's Compliance with Local Law 36 Regarding Waste Prevention, Reuse and Recycling by City Agencies

Audit # SZ17-116AL

Comptroller's Audit Library #8505

Issued: June 7, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the New York City Office of the City Clerk and Clerk of the Council (City Clerk) complied with Local Law 36, which governs waste prevention, reuse and recycling by New York City agencies. The objective of this audit was to determine whether the City Clerk is complying with the local law, which is intended to make City agencies, and ultimately the City as a whole, more sustainable through efforts that promote a clean environment, conserve natural resources and manage waste in a cost-effective manner.

In 1989, New York City established Local Law 19, codified at Administrative Code §16-301, et seq., to establish an overarching “policy of the city to promote the recovery of materials from the New York City solid waste stream for the purpose of recycling such materials and returning them to the economy.” The law mandates recycling in New York City by residents, agencies, institutions and businesses, and includes a series of rules to guide implementation. Local Law 19 requires the City to establish environmental policies to conserve natural resources and manage waste in a sustainable and cost-effective manner.

In 2010, the City enacted Local Law 36, which amended the recycling provisions of Local Law 19 (Administrative Code §16-307) to require each City agency to develop a Waste Prevention, Reuse and Recycling Plan and submit the plan to the New York City Department of Sanitation (DSNY) for approval by July 1, 2011. Local Law 36 also requires each agency to designate a lead recycling or sustainability coordinator for the agency and, where the agency occupies more than one building, to designate an assistant coordinator for each building. By July 1, 2012, and in each year thereafter, the lead recycling coordinator for each agency is required to submit a report to the agency head and to DSNY “summarizing actions taken to implement the waste prevention, reuse, and recycling plan for the previous twelve-month reporting period, proposed actions to be taken to implement such plan, and updates or changes to any information included in such plan.”

In addition, Local Law 36 requires the DSNY Commissioner to adopt, amend and implement regulations governing recycling by City mayoral and non-mayoral agencies. DSNY is also responsible for consolidating the information contained in agency reports and including this information in the agency's annual recycling report.

Results

The audit found that the City Clerk did not fully comply with Local Law 36. The City Clerk, as required by the law, has designated a lead recycling coordinator for its Manhattan office and additional assistant coordinators for offices in each of the other four boroughs. The City Clerk also source separates its recyclable materials. But the audit found that it did not establish a Waste Prevention, Reuse, and Recycling Plan for its agency, nor did it submit an annual report for Fiscal Years 2012 through 2016 to its agency head or to DSNY, as required by Local Law 36.

However, the audit noted that the City Clerk has made efforts to address waste prevention, reuse, and safe handling of hazardous waste beyond the requirements of the local law. Specifically, the City Clerk has set its printers to duplex printing as a default to reduce paper usage. The City Clerk also participates in a citywide contract for the removal of its electronic waste and follows the City's policy and procedures for the disposal of its surplus items. Those measures have been taken in accordance with DSNY's rules enacted pursuant to Local Law 36. During the audit the City Clerk provided us with documents to illustrate its efforts.

The audit recommended that the City Clerk establish a Waste Prevention, Reuse, and Recycling Plan for its agency, and submit the required annual report to its agency head and DSNY by July 1st of each year as required by Local Law 36.

In its response, the City Clerk agreed with the report's findings and stated that "[t]he City Clerk will establish a plan by the close of Fiscal Year [2017]" and "shall submit an annual report to its agency head and to DSNY by July 1 as required by Local Law 36."

Audit Follow-up

The City Clerk reported that both audit recommendations have been implemented.

DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES

Report of the New York City Comptroller on the Sale of Two Deed Restrictions Governing Property Located at 45 Rivington Street

Report # R117-093S

Comptroller's Audit Library #8464

Issued Date: August 1, 2016

Monetary Effect: None

Introduction

The Office of the New York City Comptroller investigated a transaction in which the Allure Group paid the City of New York \$16.5 million to remove two deed restrictions that limited the use of Rivington House, a Manhattan nursing home, to operation as a not-for-profit health care facility. As part of its purchase of the property from the previous owner, the firm promised local stakeholders that it would establish a healthcare facility on the site. But the purchaser was in fact exploring other luxury uses for the property, and sold it to a luxury condominium developer for \$116 million a year after buying the property, pocketing a \$72 million profit. As a result, healthcare workers lost their jobs at Rivington House, residents lost their homes, the neighborhood lost a vital community asset and the City lost the power to ensure that the property was used for a public purpose "in perpetuity." As part of its investigation, the Comptroller's Office reviewed more than 80,000 documents, including communications among the Rivington House sellers and buyers and City officials, and interviewed City agency and Mayoral officials who were engaged over a two-year period with issues related to the deal.

Results

The investigation revealed that Rivington House was lost as a community resource because the City's poor execution of standard processes undermined both public input and the interests of the City. Although senior City officials required agency commissioners to prepare weekly reports on developments in their agencies, for example, they chose not to read them. As a result, they overlooked information that should have alerted them to the pending sale of the City's deed restrictions and the potential loss of the property as a health care facility. The investigation showed that decisions senior City officials may have made concerning Rivington House were not clearly communicated to subordinates. It also found that a breakdown in communication and oversight created a vacuum that allowed the purchaser to secure the removal of deed restrictions at the same time it was working to "flip" the property for millions of dollars in profit. The report revealed that the City failed to take action, even after it was notified by residents that Rivington House was going to be sold to a developer for conversion to luxury condominiums. City officials had a 72-day window of opportunity to intervene before the sale was finalized, but failed to do so.

The report recommended that the Mayor's office take a more active approach to reviewing deed modification requests, and urged the Department of Citywide Administrative Services to ensure more robust public input on such issues. The report also recommended that City Hall define the City's "Best Interest" more expansively in reviewing deed restrictions, going beyond reviews limited to questions of whether a requested use conforms to existing zoning restrictions.

DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES**Audit Report on the New York City Department of Citywide Administrative Services' Access Controls over Its Computer Systems**

Audit # SI17-085A

Comptroller's Audit Library #8516

Issued: June 27, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the New York City Department of Citywide Administrative Services (DCAS) has adequate system security and access controls in place to protect information in its computer environment.

DCAS performs a wide range of administrative functions for other New York City government agencies. Among other things, DCAS supports City agencies' personnel needs; designs and administers civil service exams; manages City-owned buildings; procures goods and services; and manages City vehicles. In Fiscal Year 2016, DCAS had 2,179 employees.

To meet these varying responsibilities, DCAS maintains a computer network that is used by its employees, consultants and interns for email and to access department files. It also maintains specialized applications that are used by the public, DCAS network users (employees, interns and consultants), and personnel in external City agencies. Several applications maintained by DCAS contain confidential and private information. To ensure the requisite level of security, it is essential that DCAS maintain adequate access controls, such as user-authorization, identification, authentication, access-approval and login credentials. DCAS is responsible for ensuring that it has policies and procedures in place to protect information in the agency's computerized environment.

Results

The audit found that DCAS has established adequate controls for application access, data protection, and sufficient data classification guidelines to protect information in the agency's computerized environment. However, auditors found weaknesses in DCAS' access and security controls. Specifically, user access had not been disabled for inactive users and former City employees, which could increase security risks. In addition, DCAS' list of agency liaisons—designated officials in other City agencies responsible for authenticating those agencies' users—had not been adequately monitored and updated. Further, DCAS did not implement and enforce the City Department of Information Technology and Telecommunications' (DoITT's) password expiration and complexity rules that are intended to allow only authorized users to gain access to City Information Technology (IT) systems.

Finally, DCAS lacks a formal agency-wide business continuity plan and a disaster recovery plan for its applications. Currently, DCAS is unable to provide business continuity for its mission-critical application, Direct Order Online. DCAS anticipates resolving that issue by migrating the application from the DCAS data center to DoITT by April 2018. However, DCAS is vulnerable to the loss of mission-critical information in the case of a catastrophic event or emergency until the issue is resolved.

The audit made 10 recommendations, including that DCAS should:

- Ensure all former and inactive employees' accounts are immediately disabled and that periodic reviews are conducted to identify and deactivate the accounts of former employees.
- Develop a process that regularly reviews user activity, identifies inactive users, and disables inactive accounts promptly.
- Reassess its current list of Direct Order Online users to ensure that each user is currently authorized and needs access.
- Develop a password policy and procedure for its applications that complies with DoITT standards to prevent the risk of unauthorized access.
- Periodically perform vulnerability scans for its applications to reduce potential threats.
- Develop a formal business continuity plan and consider developing a disaster recovery plan for the mission-critical applications that are within DCAS data center pending their anticipated migration to DoITT.

In its response, DCAS agreed with nine of the recommendations and partially agreed with one recommendation to reassess the current list of Direct Order On-Line user access.

Audit Follow-up

DCAS reported that all of the audit recommendations have either been implemented or are in the process of being implemented.

DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES

Audit Report on the New York City Department of Citywide Administrative Services' Compliance with Local Law 20 and the Placement of Automated External Defibrillators

Audit # SZ17-058A

Comptroller's Audit Library #8487

Issued: April 4, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the New York City Department of Citywide Administrative Services (DCAS) is in compliance with the requirements of Local Law 20 for training and certifying City personnel in the use of automated external defibrillators (AEDs), placing AEDs in public places, and ensuring that DCAS's Site-Specific Response and Maintenance Plan includes all the required elements.

DCAS is responsible for ensuring that City agencies have the critical resources and support needed to provide the best possible services to the public. Its Division of Asset Management manages, operates, and maintains 55 City-owned buildings, including City Hall, the David N. Dinkins Municipal Building, the Brooklyn Municipal Building, all Borough Halls and City and State court buildings, with a total space of over 15 million square feet. Among other things, DCAS is required to:

- Recruit, hire and train City employees to support City agencies' workforces;
- Purchase, sell and lease real property; and
- Establish, audit and pay utility accounts that serve more than 4,000 buildings.

In 2005, the New York City Council enacted Local Law 20 requiring the placement of AEDs in public locations throughout the City of New York. Specifically, these devices are to be placed in nursing homes; senior centers; the publicly accessible buildings maintained by DCAS' Division of Facilities Management and Construction; ferry terminals owned and operated by the City of New York that are served by ferry boats with a passenger capacity of one thousand or more persons; and all golf courses, stadiums, arenas and health clubs. Under Local Law 20, AEDs must be located in a prominent location so the equipment can be accessed in a timely manner by persons trained to operate it.

The New York City Department of Health and Mental Hygiene (DOHMH) issued rules to implement Local Law 20 in November 2005. Local Law 20 and the DOHMH rules require that AEDs be acquired and operated in accordance with New York State Public Health Law §3000-b, which states that personnel must be trained in their use and that the devices must be registered with the Regional Emergency Medical Services Council of New York City, Inc. (REMSCO), before use by non-health care professionals. According to Local Law 20, any facility with an AED that might be used by non-medical personnel must:

- Approve and maintain a written agreement with an emergency health care provider that includes protocols and a Site-Specific Response and Maintenance Plan.
- Develop and maintain a written Site-Specific Response and Maintenance Plan in the event that use of an AED is required.
- Designate specific locations for the placement of AEDs. The devices must be located prominently and quickly accessible at all times to trained persons.

- Post appropriate AED signage, and inform the public as to the availability of a device at that location.
- Ensure that staff are appropriately trained in use of AEDs.
- Approve procedures to notify the emergency medical services system through 911.

In addition to Local Law 20, a DOHMH rule requires that AEDs should be located no more than five floors apart from each other in buildings with more than five accessible floors.

Results

The audit found that DCAS generally complies with Local Law 20 and with New York State Public Health Law §3000-b. It maintains inspection reports and device registrations and complies with its collaborative emergency health care provider agreement with the Regional Emergency Medical Services Council of New York City, Inc. (the Collaborative Agreement). However, we found insufficient contact information for some of DCAS' trained responders, and an insufficiently-prominent display of a sign regarding the location of an AED at the main entrance to one of the 47 locations we visited.

The audit recommended that DCAS ensure that the contact information for its trained responders is complete and accessible, and that AED signage is prominently posted.

In its written response, DCAS generally agreed with the recommendations, stating "DCAS agrees and will ensure that the list [of trained responders] is routinely updated and accessible" and DCAS "will explore the possibility of relocating the sign at the Queens Supreme Courthouse to further enhance its visibility."

Audit Follow-up

DCAS reported that both audit recommendations have been implemented.

CIVIL SERVICE COMMISSION

Audit Report on the Civil Service Commission's Financial and Operating Practices

Audit # FK17-070A

Comptroller's Audit Library #8512

Issued: June 23, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the Civil Service Commission (CSC) maintains reliable and effective internal control systems over cash receipts, expenditures, and inventory as required by New York City Comptroller's Directives and other applicable City rules and policies.

The CSC is an administrative body that hears and renders decisions on candidates' appeals of disqualification from an eligible civil service employment list, and City employees' appeals of City disciplinary decisions. In deciding such appeals, the CSC reviews relevant documentation and may conduct evidentiary hearings. The CSC may also conduct reviews, studies, or analyses of the administration of City personnel.

The New York City Charter, Chapter 35, Section 813(a) provides that the CSC shall consist of five members appointed by the Mayor who are paid on a per diem basis for attendance at regularly scheduled meetings and hearings. During Fiscal Year 2016, the CSC Chair was paid up to \$449 per day, and the other two Commissioners who held office throughout that year were paid up to \$412 per day.

In the Comptroller's Comprehensive Annual Financial Report for Fiscal Year 2016, the CSC reported expenditures totaling \$780,992. Of that amount, \$722,259 (92.5 percent) was for personal services and \$58,733 (7.5 percent) was for other than personal services.

Results

The audit found that the CSC did not maintain accurate and complete inventory records. It did not consistently update inventory records to account for newly-acquired office equipment and tag it, and conduct periodic inventory counts. Specifically, the CSC did not include 34 pieces of office equipment including computer monitors, telephone headsets, and microphones on its inventory list, and it did not tag 33 of the 34 pieces of equipment.

In addition, the audit found that the CSC did not segregate the duties for purchasing goods and services and maintaining inventory records among its staff. It also charged purchases to incorrect object codes, and did not document policies and procedures in writing and effectively communicate them to staff.

To address these issues, the audit made seven recommendations to the CSC including that the CSC should:

- Tag and inventory all office equipment with a useful life of more than one year as required by the Department of Investigation's *Standards for Inventory Control and Management*.
- Conduct periodic inventory counts, document results of counts, and update inventory records, as needed.
- Segregate the duties for ordering, approving, and certifying receipt of goods and services; maintaining inventory records; and approving payments.

- Charge purchases to the correct object code in accordance with Comptroller's Directive #24, *Agency Purchasing Procedures and Controls*.
- Document policies and procedures in writing and communicate them to staff, including policies and procedures for timekeeping and payroll, inventory, and procurement.

In its response, the CSC generally agreed with the report's recommendations. The CSC stated, "[w]e have made every effort to comply with your recommendations" and described actions taken to address six of the report's seven recommendations. The CSC did not address the report's remaining recommendation to carefully review its prior and current Comptroller's Directive #1 Agency Evaluation of Internal Controls submitted to the Office of the Comptroller and the Mayor's Office to ensure their accuracy in all respects.

Audit Follow-up

The CSC reported that it tags and inventories all technology and electronic equipment at the time of purchase, conducts annual inventory counts, and communicates inventory procedures to staff.

BRONX COMMUNITY BOARDS

Audit Report on the Office Equipment Inventory Practices at the Twelve Bronx Community Boards

Audit # SR16-115A

Comptroller's Audit Library # 8467

Issued: November 18, 2016

Monetary Effect: None

Introduction

This audit was conducted to determine whether the twelve Bronx Community Boards comply with certain inventory procedures applicable to office equipment that are set forth in the Department of Investigation's (DOI's) *Standards for Inventory Control and Management* (the DOI Standards). The audit also determined whether the twelve Community Boards maintained effective internal controls over equipment as required by Comptroller's Directive #1.

New York City is divided into 59 administrative districts, each served by a Community Board, which is a local representative body authorized by the New York City Charter to advocate for the residents and needs of its district. Community Boards have various responsibilities which include assessing the neighborhoods' needs, addressing community concerns, and vetting land use and zoning proposals. The Bronx has twelve Community Boards that collectively cover the entire borough. Each of the Bronx Community Boards has a District Manager and at least one full-time clerical staff person.

Results

The audit found that four of the twelve Bronx Community Boards, Boards #1, #3, #6 and #11, were in compliance with the DOI Standards and Comptroller's Directive #1. The other eight Community Boards failed to fully adhere to these standards. The audit found that 10 items identified on the inventory list of two of the Community Boards (Boards #5 and #8) could not be located during visits to the two Community Boards. Further, during their visits, auditors identified 26 items at seven Community Boards (Boards #4, #5, #7, #8, #9, #10 and #12) that were not listed on their current inventory lists. Finally, the audit found that eight of the Community Boards maintained incomplete inventory records (the exceptions with complete inventories were Boards #1, #3, #6 and #11) and that the items were not always labeled in accordance with the DOI Standards. Based on the missing items and the inaccuracies in the inventory found during testing, we conclude that there is an increased risk of loss, misappropriation or theft at these eight Community Boards.

In addition, the audit found that seven Community Boards (Boards #1, #2, #5, #6, #9, #10 and #11) purchased 26 office equipment items using incorrect object codes on 17 payment vouchers. Also, the audit found that Community Board #8 had six unpaid invoices for electronic equipment that were past the 30-day payment requirement set in the Procurement Policy Board rules.

This audit made six recommendations, including that each Community Board should:

- Ensure that complete and accurate records of all office equipment are maintained in accordance with the DOI Standards and Comptroller's Directive #1;
- Maintain equipment in a clean secure area;
- Update inventory lists appropriately when changes occur, including noting any change of location, properly recording the relinquishment of nonworking items, and removing any relinquished items from the inventory list;

- Affix identification tags to all major office equipment items and include a sequential internal control number;
- Charge office equipment purchases to the correct object code in accordance with Comptroller's Directive #24, *Agency Purchasing Procedures and Controls*; and
- Process all payments in a timely manner in accordance with the Procurement Policy Board Rules, Section 4-06, Prompt Payments.

In their responses, each of the 12 Community Boards agreed with all of the report's findings and recommendations and described the steps they have taken or will take to implement the report's recommendations.

Audit Follow-up

All Bronx Community Boards reported compliance with the audit findings, or an intent to comply with audit findings, except Community Boards #9, #11 and #12, which did not provide follow-up information.

BROOKLYN COMMUNITY BOARDS

Audit Report on the Office Equipment Inventory Practices at the Eighteen Brooklyn Community Boards

Audit # SR17-087A

Comptroller's Audit Library #8492

Issued: April 28, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the eighteen Brooklyn Community Boards comply with certain inventory procedures applicable to office equipment that are set forth in the Department of Investigation's (DOI's) *Standards for Inventory Control and Management* (the DOI Standards) and to determine if they maintain effective internal controls over that equipment as required by Comptroller's Directive #1.

New York City is divided into 59 administrative districts, each served by a Community Board, which is a local representative body authorized by the New York City Charter to advocate for the residents and needs of its district. Community Boards have various responsibilities which include assessing the neighborhoods' needs, addressing community concerns, and vetting land use and zoning proposals. Brooklyn has eighteen Community Boards that collectively cover the entire borough. Each of the Brooklyn Community Boards has a District Manager and at least one full-time clerical staff person.

Results

The audit found that twelve of Brooklyn's eighteen Community Boards were not in compliance with the DOI Standards and with the Comptroller's Directive #1 requirements for inventory controls. Auditors reviewed a total of 617 inventory items, and found 119 discrepancies where Community Boards failed to meet required standards. Specifically, the auditors determined that Brooklyn Community Boards #3, #4, #5, #7, #9, #10, #11, #12, #13, #14, #15 and #18 were not in compliance, while Community Boards #1, #2, #6, #8, #16 and #17 were in compliance with these regulations.

As part of their review, auditors found that 585 of the 586 office equipment items that were listed in the Brooklyn Community Boards' inventory records were physically present at Boards' offices. However, the audit identified 32 *additional* items at six Community Boards (Boards #3, #5, #9, #13, #14 and #18) that were physically present in those Community Boards' offices, but had not been included on their inventory lists.

In addition, auditors revealed that three Boards (Boards #3, #5, and #18) did not maintain accurate inventory records due to the fact that the items on each of those Boards' inventory lists were not properly labeled in accordance with the DOI Standards. Finally, the audit found that seven Community Boards (Boards #1, #6, #8, #11, #13, #15 and #16) had purchased 32 office equipment items using incorrect object codes on 20 payment vouchers.

Based on incomplete inventory records, missing items that auditors could not find during their on-site testing, the failure to label items properly and the use of incorrect object codes for purchases, the audit concluded that there was an increased risk of loss, misappropriation or theft at the 12 Community Boards that were not in compliance with the DOI Standards and Comptroller's Directive #1.

This audit made five recommendations, including that each Community Board:

- Maintain complete and accurate records of all office equipment, in accordance with DOL's Standards and Comptroller's Directive #1;
- Conduct an annual inventory count to ensure that all equipment is listed as well, as the location of the items;
- Ensure that inventory lists are appropriately updated to reflect changes in equipment's location, including the relinquishment of non-working items and the removal of these items from the inventory list;
- Ensure that Identification tags are affixed to all major office equipment items and that they include a sequential internal control number;
- Ensure that all office equipment purchases are charged with the correct object code in accordance with Comptroller's Directive #24, *Agency Purchasing Procedures and Controls*.

In their responses, each of the eighteen Community Boards agreed with all of the report's findings and recommendations and described the steps they have taken or will take to implement the report's recommendations.

Audit Follow-up

All Brooklyn Community Boards reported compliance with audit findings, or an intent to comply with audit findings, except Community Boards #6 and #12, which did not provide follow-up information.

QUEENS COMMUNITY BOARDS

Audit Report on the Office Equipment Inventory Practices at the Fourteen Queens Community Boards

Audit # SR16-104A

Comptroller's Audit Library #8462

Issued: October 31, 2016

Monetary Effect: None

Introduction

This audit was conducted to determine whether the fourteen Queens Community Boards comply with certain inventory procedures applicable to office equipment that are set forth in the Department of Investigation's (DOI's) *Standards for Inventory Control and Management* (the DOI Standards). The audit also determined whether the fourteen Community Boards maintained effective internal controls over equipment as required by Comptroller's Directive # 1.

New York City is divided into 59 administrative districts, each served by a Community Board, which is a local representative body authorized by the New York City Charter to advocate for the residents and needs of its district. Community Boards have various responsibilities, which include assessing their neighborhoods' needs, addressing community concerns, and vetting land use and zoning proposals. Queens has fourteen Community Boards that collectively cover the entire borough. Each of the Queens Boards has a District Manager and at least one full-time clerical staff person whose salaries are paid by the City of New York.

Results

The audit found that ten of the fourteen Queens Community Boards, Boards #2, #3, #4, #5, #6, #7, #8, #10, #11, and #13, were in compliance with the DOI Standards and Comptroller's Directive #1. The other four Community Boards (Boards #1, #9, #12 and #14) failed to fully adhere to these inventory control standards. The audit found that all 497 office equipment items listed on the Queens Community Boards' inventory records were present at the various Boards' offices, based on reviews of office equipment such as desktops, laptops, tablets, monitors, printers, scanners, fax machines and televisions. During visits to the Community Boards, auditors identified 26 items at two Community Boards (Boards #9 and #12) that were not listed on the current inventory lists. The audit also found that four of the Boards (Boards #1, #9, #12, and #14) maintained incomplete inventory records, and that 39 items at three Boards (Boards #1, #12, and #14) were not labeled in conformance with the DOI Standards. Based on the information missing from the inventory lists, the audit concluded that there is a potential risk of loss, misappropriation or theft at the four Community Boards.

In addition, the audit found that seven Community Boards (Boards #1, #2, #3, #6, #9, #12 and #14) purchased 51 office equipment items using incorrect object codes on 24 payment vouchers.

This audit made four recommendations, including that each Community Board should:

- Ensure that complete and accurate records of all office equipment are maintained in accordance with the DOI Standards and Comptroller's Directive #1;
- Ensure that inventory lists are appropriately updated when changes occur, including purchases and change of location;
- Ensure that identification tags are affixed to all non-consumable office equipment items and include a sequential internal control number; and

- Ensure that all office equipment purchases are charged to the correct object code as per Comptroller's Directive #24, *Agency Purchasing Procedures and Controls*.

In their responses, each of the fourteen Community Boards agreed with the report's findings and recommendations and described the steps they have taken or will take to implement the report's recommendations.

Audit Follow-up

All Queens Community Boards reported compliance with audit findings and recommendations, or an intent to comply with Audit findings and recommendations, except for Community Boards #9, #12 and #14, which did not provide follow-up information.

NEW YORK CITY COMPTROLLER'S OFFICE

Cost Allocation Plan Fiscal Year 2016

Report # SR17-088S

Comptroller's Audit Library #5598

Issued: November 14, 2016

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 staff time spent providing services to various City agencies during Fiscal Year 2016.

Results

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

DEPARTMENT OF CONSUMER AFFAIRS**Audit Report on the Department of Consumer Affairs' Development and Implementation of the Accela System**

Audit # SI17-075A

Comptroller's Audit Library #8515

Issued: June 26, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the New York City Department of Consumer Affairs' (DCA) development and implementation of the Accela system met DCA's overall goals, and whether it has adequate controls to ensure that the information process is reliable and secure from unauthorized access.

DCA licenses more than 81,000 businesses in more than 50 industries and enforces key consumer protection, licensing, and workplace laws including the paid sick leave and commuter benefits laws. DCA also inspects businesses to ensure compliance with license and weights-and-measures regulations, and investigates complaints received from the public through 311 and other means. In enforcing these laws and regulations, the agency also provides mediation of consumer complaints and secures restitution for consumers.

In 2011, DCA, under a master contract with the Department of Information Technology and Telecommunications, contracted with Accenture LLP to develop a new Enterprise Licensing and Permitting system by customizing the off-the-shelf software from Accela, Inc. to meet DCA's business needs.

Results

The audit found that DCA's Accela system was operational and generally meeting its overall system specifications. However, the audit found deficiencies, including insufficient validation checks to ensure that the data being entered into the system is valid. Further, the audit found that user access was not consistently disabled for inactive users and former employees, and that DCA did not enforce password expiration rules that would limit access to authorized users.

In addition, auditors conducted a User Satisfaction Survey of DCA personnel who use Accela. In response, a good portion of respondents reported problems with the system. Specifically, 42 percent of the respondents indicated that the Accela system requires repetitive data entries, 22 percent stated that Accela is not easy to use, and 49 percent would like to see changes made to the system. Respondents also noted specific concerns, including that the system is slow, has frequent crashes, and is hard to search.

The audit recommended that DCA should:

- Require validation checks for all applicable fields, including for dates and EINs in the Accela system to ensure that only valid data can be entered into the system.
- Terminate access to the Accela system for those individuals who are no longer employed by a City agency.
- Periodically contact external agencies and review the status of the external users and terminate access as appropriate.

- Ensure Accela Account Management Policy and Procedures are enforced for external agency users. Install a lockout feature that automatically disables access to the system if passwords of external users are not changed after 90 days.
- Consider the users' concerns identified in the User Satisfaction Survey and take appropriate steps to address them.

In its response, DCA generally agreed with four recommendations and stated that one is “already in place.” At the same time, DCA took issue with some findings in the report. However, DCA stated, “We are in the process of upgrading Accela. The tentative release for the upgrade is August 2017. With the release of new features by Accela, the upgrade is intended to address certain concerns upon rollout.”

Audit Follow-up

DCA reported that four recommendations are in the process of being implemented and continues to disagree with the remaining recommendation for a lockout feature that automatically disables access to the system if passwords of external users are not changed after 90 days. Although DCA stated that the lockout feature is already in place, the auditors found that the system failed to deny access to the system to nearly one third of external users with unchanged passwords. Therefore, we continue to recommend that DCA ensure Accela Account Management Policy and Procedures are enforced for external agency users.

NEW YORK COUNTY DISTRICT ATTORNEY**Letter Audit report on the New York County District Attorney's Administration of the Deferred Prosecution and Non-Prosecution Agreements**

Audit # FN16-081AL

Comptroller's Audit Library #8482

Issued: February 28, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the New York County District Attorney (DANY) properly administered the receipt and distribution of proceeds from deferred prosecution and non-prosecution agreements, in accordance with the New York City Comptroller's Office Directive #11, *Cash Accountability and Control*, and applicable federal and New York State (State) rules and regulations.

The New York County District Attorney is an independent elected official responsible for the investigation and prosecution of criminal conduct in New York County. In this capacity, DANY investigates and prosecutes illegal activities including white-collar crimes, international money laundering, securities fraud and terrorism. Although DANY's operations are primarily funded by New York City through budget appropriations, DANY also receives money from a variety of other sources, the largest of which are State and federal asset forfeitures. Forfeited funds are paid to DANY pursuant to Deferred Prosecution Agreements (DPAs) and Non-Prosecution Agreements (NPAs), as well as through other procedural mechanisms. DPAs and NPAs both involve voluntary pre-trial agreements between defendants (usually corporations) and a prosecutor that allow the defendants to avoid prosecution by paying fines and forfeitures and by agreeing to numerous other conditions, including cooperation with the government, institution of a compliance program and admissions of wrongdoing.

Both federal and State rules allow forfeited funds awarded to a law enforcement agency, such as DANY, to be expended for specified law enforcement purposes and to be distributed to other parties and government agencies for permissible uses. In connection with DPAs governed under State law, DANY is allowed to retain a percentage of the forfeited funds for its own use and is required to transfer the balance of the forfeited funds in equal amounts to the State and to New York County, within thirty days of receipt.

As of June 30, 2015, DANY maintained 24 agency bank accounts with a total of \$390 million in funds it received from sources other than its City budget allocations. Of this amount, approximately \$299 million was derived from DPAs.

Results

The audit found that DANY generally administered the receipts and disbursements of the proceeds received through DPAs in accordance with Directive #11 and other applicable federal and State rules and regulations. However, DANY did not make reasonable efforts to explore investment opportunities that would allow it to maximize the monetary benefit from at least \$123 million in DPA funds for which there was no immediate plan for disbursement or use. As a result, DANY may have forgone potential investment returns that could have been earned by putting the money into conservative short-term investments, as allowed pursuant to Section 11 of the General Municipal Law.

The audit recommended that DANY should:

- Develop an investment policy outlining procedures to invest funds not required for immediate expenditure in conservative investment vehicles, as prescribed in Section 11 of the General Municipal Law to yield higher returns; and
- Closely monitor its cash flow required for general operations and immediate disbursements in order to effectively invest the excess funds which are not required for immediate disbursement.

In its response, DANY stated, “Going forward, DANY will take the recommendations of the Audit Report into consideration and reassess how it manages its DPA funds. With respect to investment accounts, we will explore with your office and the New York City Department of Finance alternative investment vehicles that yield a higher rate of return for the \$40.5 million that is subject to the New York State DPA statute. If a suitable investment vehicle is identified, DANY will also petition [Asset Forfeiture and Money Laundering Section of the U.S. Department of Justice] AFMLS for a waiver so that the \$82.6 million in Federal Equitable Sharing funds can also be deposited in that fund. Finally, with respect to carefully monitoring cash flow to allow for the investment of excess funds, DANY will implement a strategy for accomplishing this once appropriate investment vehicles are established.”

Audit Follow-up

DANY reported that both audit recommendations have been implemented.

DEPARTMENT OF EDUCATION**Audit Report of the Department of Education's Allocation of Title I Funding to Public Schools**

Audit # FK15-080A

Comptroller's Audit Library #8491

Issued: April 27, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the New York City Department of Education (DOE) allocated approximately \$491.4 million in federal Title I funds to the City's public schools in accordance with applicable laws, rules, and regulations. Title I, Part A (Title I) of the Elementary and Secondary Education Act (ESEA), as amended, provides federal financial assistance to local educational agencies (LEAs), including DOE, and schools serving high numbers or high percentages of children from low-income families. The objective is to ensure that all children meet challenging state academic standards. According to the United States Department of Education (USDOE), public schools use Title I funds to provide additional academic support and learning opportunities for students.

The USDOE allocates Title I funds to eligible LEAs based on the number of children ages 5 to 17 from low-income families residing in the LEA's school attendance areas. Within an individual LEA, Title I funds must be allocated to eligible school attendance areas or eligible schools based on the total number of children from low-income families in each area or school. Further, LEAs must rank school attendance areas or schools by poverty percentage. The varying measurements that an LEA may use to determine the poverty percentage of a school attendance area or school include (1) the number of children ages 5 through 17 in poverty and counted in the most recent census data; (2) the number of children eligible for free and reduced-price lunches under the Richard B. Russell National School Lunch Act; (3) the number of children in families receiving Temporary Assistance for Needy Families program (TANF) assistance; or (4) the number of children eligible to receive medical assistance under the Medicaid program, or a composite of such indicators.

DOE is responsible for allocating Title I funds to City schools, and it uses the number of students in grades K-12 eligible for free lunch to measure the poverty percentages at individual schools and to rank those schools by poverty level.

Results

The audit found that DOE did not always properly document and determine students' eligibility for school meals, which is the criterion it uses to measure each school's poverty percentage and allocate Title I funds. First, DOE did not maintain up-to-date correspondence or written agreements with the City's Human Resources Administration (HRA), the City agency that helps administer public assistance programs. Since data provided by HRA was used by DOE to determine that 454,013 students were "categorically" eligible to receive free school meals, DOE cannot be assured that it is using complete and accurate data to support these determinations. Second, based on a review of School Meal Applications submitted for a random sample of 150 students, DOE may have incorrectly determined the eligibility of 39 students (26 percent) to receive school meals. The audit also found that DOE could improve its efforts to validate the Supplemental Nutrition Assistance Program (SNAP) and TANF case numbers that students' parents or guardians provide on their School Meal Applications.

The audit made seven recommendations, including that DOE:

- Maintain up-to-date correspondence or written agreements with HRA that confirm the manner in which SNAP, TANF, and Medicaid data that DOE uses to determine whether students are “categorically” eligible for free school meals was compiled.
- Improve its efforts to validate the SNAP and TANF case numbers provided on students’ School Meal Applications.
- Ensure that school personnel send notification letters to all households that submitted incomplete School Meal Applications.

In its response, DOE agreed with or partially agreed with five recommendations. DOE did not agree with the recommendations regarding “categorical” eligibility determinations based on either the eligibility of a student’s sibling to receive benefits from federally-funded assistance programs, or SNAP and TANF case numbers.

Audit Follow-up

DOE reported that it has either implemented or is in process of implementing the five recommendations with which it agreed or partially agreed. Although DOE partially agreed to implement the report’s recommendation to maintain signed lists that document students’ temporary housing status as required, DOE’s process for documenting students’ eligibility for free school meals based on their housing status does not comply with the United States Department of Agriculture’s Eligibility Manual or its own guidelines.

DOE did not agree with and therefore did not address the remaining two recommendations regarding the extension of “categorical” eligibility determinations to siblings that live at the same address and the validation of SNAP and TANF case numbers. In response to the audit report’s recommendation that DOE should document in the MCS System the specific school enrollment records that show that siblings live at the same address, DOE asserted that “school enrollment records are not required to document eligibility because School Meal Applications include a signed attestation certifying that ‘the family members listed on the application reside at the same address.’” However, DOE School Meal Applications do not expressly state that household members reside at the same address. Moreover, DOE’s own guidelines only allow for school meal benefits to be extended based on school enrollment records.

In response to the audit report’s recommendation that DOE should improve its efforts to validate SNAP and TANF case numbers provided on students’ School Meal Applications, DOE stated that “the USDA Eligibility Manual states, ‘LEAs should validate case number(s)’ [emphasis added], it is a recommendation rather than a requirement.” While we agree with DOE that the validation of SNAP and TANF numbers is not a requirement, we continue to recommend that DOE should improve its efforts to validate SNAP and TANF numbers to ensure that it correctly determines students’ eligibility for school meals and equitably allocates Title I funds.

DEPARTMENT OF EDUCATION**Audit Report on the Department of Education's Oversight of the Qualifications of School Bus Drivers and Attendants Employed by School Bus Company Contractors**

Audit # MH17-055A

Comptroller's Audit Library #8509

Issued: June 21, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the New York City Department of Education (DOE) adequately monitors contracted school bus companies to ensure that the school bus drivers and attendants they employ have undergone required background checks and meet New York State (NYS) and DOE qualifications.

To provide transportation services to students, DOE contracts with vendors that supply school buses and employ the drivers who operate them, along with the attendants who assist the special education students whom they transport. As of November 7, 2016, DOE had 88 contracts with school bus companies that employed 8,953 bus drivers, 7,082 attendants and 249 persons who were qualified to work as either a driver or an attendant.

DOE's Contract Management Unit (CMU) is responsible for monitoring school bus vendors' compliance with DOE's Office of Pupil Transportation (OPT) certification procedures and the terms of their contracts. To keep track of each school bus driver's and attendant's certification-status, OPT and CMU use a computerized recordkeeping system, called the Driver and Attendant System.

The New York State Department of Motor Vehicles (DMV) is required to notify the school bus company when the license of a school bus driver it employs is revoked or suspended, or when the driver has been convicted of a violation that would prohibit him or her from operating a school bus. DOE also participates in DMV's License Event Notification Service (LENS), which enables the department to track school bus drivers' license status and ensure that they maintain their eligibility to drive. When a school bus driver's driving privileges have been suspended by DMV, OPT is notified. An investigator assigned to review LENS notifications reviews the driver's record on the DMV website and determines whether the issue has been resolved or if the driver remains disqualified. The investigator must then update the driver's status in the Driver and Attendant System.

CMU submits all prospective school bus attendants' fingerprints to NYS Division of Criminal Justice Services (DCJS) for criminal background checks. DCJS maintains attendants' fingerprints on file and notifies DOE's Office of Personnel Investigation (OPI) if an attendant is subsequently arrested for charged criminal activity. If the charge would bar the person from working as an attendant, OPI notifies OPT and also enters a code into DOE's Personnel Eligibility Tracking System (PETS) indicating a problem affecting the attendant's eligibility to work on a school bus for DOE. Through an automatically-generated email, PETS notifies CMU and OPT that the attendant is suspended, and an OPT investigator updates the attendant's status in the Driver and Attendant System.

Results

The audit found that DOE adequately monitors contracted school bus companies to ensure that the school bus drivers and attendants they employ have undergone required background checks and meet NYS qualification requirements. However, the audit found deficiencies in the OPT Investigation Unit's processing of 10 (23 percent) of the 43 DMV-LENS suspension notifications reviewed. In addition, the audit reviewed 24 PETS suspension notifications and identified one case where OPT failed to implement a DOE determination to suspend a school bus attendant's eligibility to work on school buses for DOE for over six months. Finally, the audit found that DOE has no written policies or procedures specifying the responsibilities of OPT investigators in acting upon DMV-LENS and DOE-PETS suspension notifications. These weaknesses increase the risk that suspended drivers and attendants may be driving and assisting children.

The audit made five recommendations, including that DOE:

- Ensure that OPT's Investigation Unit outlines steps that investigators must take when suspension notifications are issued for drivers and attendants.
- Ensure that OPT investigators review all LENS and PETS notifications on a daily basis, and that each notification is dealt with and documented appropriately.
- Develop procedures to ensure that all PETS suspension-notifications regarding attendants are addressed. DOE should also ensure that any suspension notification not immediately matched with a name or other identifier in OPT and CMU records is investigated.

In its response, DOE agreed with two recommendations but disagreed with the recommendations that the agency create a procedure for investigators regarding receipt of LENS and PETS suspension notifications; that it ensure OPT investigators review all suspension notifications on a daily basis; and that it establish a time frame within which suspension notifications are resolved.

Audit Follow-up

DOE reported that it has implemented a system where bus companies submit applicants' social security cards so that the correct names can be entered into PETS. Second, vendors now have read-only access to PETS so they can review the eligibility of school bus drivers. DOE continues to disagree with the remaining three recommendations that it (1) create a written policy and procedure specifying the responsibilities of OPT regarding LENS and PETS suspension notifications; (2) ensure that OPT investigators perform daily reviews of LENS and PETS suspension notifications; and (3) establish a time frame within which all LENS and PETS suspension notifications should be resolved. DOE argued in its response that the recommendations are unnecessary because sufficient measures are already in place to ensure that its contracted school bus vendors will prohibit school bus drivers from driving with suspended licenses and prohibit attendants from assisting children while suspended. However, we disagree and contend that the deficiencies which these recommendations are intended to address will, if not corrected, increase the risk that bus companies may allow drivers whose licenses have been suspended by DMV to operate school buses and attendants who have been suspended to assist children.

DEPARTMENT OF EDUCATION**Audit Report on the Department of Education's Implementation of High Speed Internet Connectivity in New York City Public Middle Schools**

Audit # SI16-082A

Comptroller's Audit Library #8496

Issued: May 19, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the New York City (the City) Department of Education's (DOE's) implementation of high speed internet connectivity in public middle schools was on schedule and meeting its intended goals. DOE provides primary and secondary education to over one million students, from pre-kindergarten through grade 12, in over 1,800 schools in 32 school districts, and it employs approximately 75,000 teachers. As of May 2016, 503 of DOE's schools were reported to be providing educational services to middle school students (students in 6th through 8th grades).

DOE has reported that it began to upgrade the broadband technology in the City's public schools in 2007. At that time, the agency began installing fiber optic cabling, connections, and network components required to support higher data rates. DOE's goal was to provide high speed internet connectivity and install wireless technology in all of the City's public schools.

Results

The audit found that every New York City public middle school had fiber optic connections to support high speed internet. But auditors also found that DOE, during its broadband upgrade initiative, failed to put adequate controls and oversight in place to ensure that the system-wide upgrade was completed properly, within budget, with appropriate documentation, and with adequate managerial oversight. Moreover, DOE lacked documentation of the execution and cost of the broadband upgrade. During the audit, DOE represented that it did not have any project plans, implementation schedules, and progress reports to document the steps taken for the upgrade, the rate of progress and total cost of the upgrade initiative from its inception in 2007 to its completion in 2016. As a result, the audit could not determine whether DOE's implementation of high speed internet connectivity for middle schools was completed on schedule and within budget.

In addition to these findings, auditors conducted a User Satisfaction Survey. In response to that survey, 33 percent of the responding middle school Principals and staff reported that they were not satisfied with the current internet service, 45 percent stated that the speed of the internet service in the middle schools did not meet their instructional needs, and 25 percent responded that the internet service availability in their schools was inadequate.

The audit made nine recommendations, including that DOE should:

- Maintain a project governance structure for information technology (IT) projects and ensure that its Enterprise Project Management Office (EPMO) follows proper project management standards and methodologies for all IT projects.
- Maintain a system for archiving standard project documents and artifacts.
- Develop a formal records retention policy and schedule that ensures the future availability of necessary records for as long as they are needed.
- Ensure that the users' concerns identified in the User Satisfaction Survey and comments that auditors provided to DOE are appropriately addressed.
- As part of the bandwidth utilization process, consider whether low utilization might be caused by delays, slowness, and unreliability of their schools' high speed internet connectivity.

In its written response, DOE summarized its efforts and the progress it has made to meet the “demand for bandwidth [that] continues to exceed supply.” DOE additionally claimed that it has already implemented most of the audit recommendations “before the audit.” However, DOE’s response fails to address the hundreds of millions of dollars it spent for the broadband upgrade without having adequate controls in place to ensure that the upgrade was completed properly, on time, adequately documented, and within budget. DOE explained its failure to produce requested, basic documentation by contending that “there was no overarching ‘initiative for middle schools’.” Rather a series of activities, underwritten by various funding sources, was undertaken separately over time to address bandwidth needs for all DOE schools, not middle schools in isolation.” However, this does not address the finding that DOE failed to appropriately plan, monitor, document, and manage its broadband initiative. DOE’s response indicates that when it undertook the initiative to bring high speed connectivity to all DOE schools, it did not have a comprehensive plan, uniform minimum controls, standards for documentation, or central oversight.

Audit Follow-up

DOE reported that all of the audit recommendations were either implemented or are in the process of being implemented.

EQUAL EMPLOYMENT PRACTICES COMMISSION

Final Letter Report on the New York City Equal Employment Practices Commission's Compliance with Local Law 36 Regarding Waste Prevention, Reuse and Recycling by City Agencies

Audit # SZ17-128AL

Comptroller's Audit Library #8506

Issued: June 13, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the Equal Employment Practices Commission (EEPC) complied with Local Law 36, which governs waste prevention, reuse and recycling by New York City agencies. The local law is intended to make City agencies, and ultimately the City as a whole, more sustainable through efforts that promote a clean environment, conserve natural resources and manage waste in a cost-effective manner.

In 1989, New York City established Local Law 19, codified at Administrative Code §16-301, et seq., to establish an overarching "policy of the city to promote the recovery of materials from the New York City solid waste stream for the purpose of recycling such materials and returning them to the economy." The law mandates recycling in New York City by residents, agencies, institutions and businesses, and includes a series of rules to guide implementation. Local Law 19 requires the City to establish environmental policies to conserve natural resources and manage waste in a sustainable and cost-effective manner.

In 2010, the City enacted Local Law 36, which amended the recycling provisions of Local Law 19 (Administrative Code §16-307) to require each City agency to develop a Waste Prevention, Reuse and Recycling Plan and submit the plan to New York City Department of Sanitation (DSNY) for approval by July 1, 2011. Local Law 36 also requires each agency to designate a lead recycling or sustainability coordinator for the agency and, where the agency occupies more than one building, to designate an assistant coordinator for each building. By July 1, 2012, and in each year thereafter, the lead recycling coordinator for each agency is required to submit a report to the agency head and to DSNY "summarizing actions taken to implement the waste prevention, reuse, and recycling plan for the previous twelve-month reporting period, proposed actions to be taken to implement such plan, and updates or changes to any information included in such plan."

In addition, Local Law 36 requires the DSNY Commissioner to adopt, amend and implement regulations governing recycling by City mayoral and non-mayoral agencies. DSNY is also responsible for consolidating the information contained in agency reports and including this information in the agency's annual recycling report.

Results

The audit found that the EEPC did not fully comply with Local Law 36. The agency separates its recyclable materials and, as required by the law, has designated a lead recycling coordinator for its single location. However, the audit found that the EEPC did not establish a Waste Prevention, Reuse, and Recycling Plan pursuant to Local Law 36. Additionally, it did not submit the required annual report for Fiscal Years 2012 through 2016 to its Executive Director or to DSNY. After this audit was commenced, the EEPC informed auditors that a recycling plan is in progress but that it has not yet been submitted to DSNY for approval.

In addition to these findings, however, the audit notes that the EEPC has made efforts to address waste prevention, reuse, and safe handling of hazardous waste beyond the requirements of the local law. Specifically, the EEPC collects and returns the empty toner cartridges from its printers to the manufacturers for recycling. Additionally, the EEPC streamlined its audit process electronically with the use of computer software, to minimize the need for printing unnecessary documents. Those measures have been taken in accordance with DSNY's rules enacted pursuant to Local Law 36.

The audit recommends that the EEPC establish a Waste Prevention, Reuse, and Recycling Plan and submit the required annual report to its agency head and DSNY by July 1st of each year as required by Local Law 36.

In its response, the EEPC agreed with the report's findings and stated that "EEPC has established a Waste Prevention, Reuse, and Recycling Plan, which it will submit to the, via the DSNY website before June 30, 2017" and "will ensure that the Waste Prevention, Reuse, and Recycling Plan is submitted to the DSNY before July 1, annually."

Audit Follow-up

The EEPC reported that it is in full compliance with Local Law 36.

DEPARTMENT OF FINANCE

Audit Report on the New York City Department of Finance's Administration of the Senior Citizen Homeowners' Exemption Program

Audit # SR16-087A

Comptroller's Audit Library #8457

Issued: July 7, 2016

Monetary Effect: Actual Revenue: \$1,564,978
 Potential Revenue: \$57,612,605

Introduction

This audit was conducted to determine whether the New York City Department of Finance (DOF) properly administers tax benefits granted to property owners under the Senior Citizen Homeowners' Exemption program (SCHE). The SCHE provides a partial property tax exemption for senior citizens who own one, two, or three family homes, condominiums, or cooperative apartments in New York City. The SCHE reduces the assessed value of the property, which is used to determine the property tax, and the assessed value can be cut by a maximum of 50 percent depending on the owners' income.

These exemptions are authorized by New York State Real Property Tax Law (RPTL), Section 467 (Section 467). The law requires any homeowner who has been granted such an exemption to file a completed application every twenty-four months from the date the exemption was granted. In 1974, the New York State Board of Equalization and Assessment (SBEA) issued an opinion stating that property owned in the name of a corporation may not be granted the SCHE. In 1998, the New York State Board of Real Property Services (SBRPS) issued an opinion stating that a property with four or more units would require the SCHE to be prorated to the unit being utilized as the owner's primary residence. However, an entire structure would qualify for the exemption if the property contains three or fewer units.

Homeowners who receive a SCHE also automatically qualify for an Enhanced School Tax Relief (ESTAR) exemption based on their income and homeownership status. If the SCHE was found to be inappropriately applied in prior years, New York State's *Exemption Administration Manual Pertaining to the Partial Tax Exemption on Real Property of Senior Citizens* states that a "municipality may rescind the exemption in a subsequent year."

Results

The audit found that DOF improperly credited the SCHE to 3,890 properties that were not eligible, resulting in a loss of property tax revenue to the City of at least \$48,529,687. In addition, DOF failed to remove the SCHE from at least 3,246 properties after the homeowners had died. This resulted in a loss of property tax revenue of at least \$35,976,029 from Fiscal Years 2012 through 2017. Moreover, DOF failed to correctly prorate the exemption amounts granted to 573 properties that contain four or more units. These properties received 3,219 excessive exemption amounts to which they were not entitled, resulting in a loss of property tax revenue of at least \$11,176,036 from Fiscal Years 2011 through 2016. DOF also allowed corporate owners of at least 71 properties to receive 307 exemptions for which they were not eligible. This resulted in a loss of property tax revenue of at least \$1,377,622 from Fiscal Years 2011 through 2016. In addition, DOF improperly credited properties of deceased homeowners and corporate-owned properties with ESTAR exemptions totaling \$10,647,896. All told, the audit identified approximately \$59.2 million in lost property tax revenue to the City.

Finally, DOF failed to ensure that homeowners reapply for the SCHE every two years. As a result, ineligible properties may have continued to receive exemptions.

The audit made 12 recommendations, including that DOF should:

- Verify whether homeowners who applied for the SCHE are now deceased, and remove SCHE and ESTAR exemptions from those properties.
- Recover \$35,976,029 in erroneous SCHE exemptions that were applied to properties after the qualifying homeowner(s) were deceased if DOF determines that the subsequent owner was not eligible for the SCHE.
- Recover \$10,460,540 in erroneous ESTAR exemptions that were applied to properties after the qualifying homeowner(s) were deceased if DOF determines that the subsequent owner was not eligible for ESTAR.
- Recover \$11,176,036 in excessive exemptions that were granted to properties containing four or more units.
- Recover \$1,564,978 in erroneous exemptions (\$1,377,622 in SCHE and \$187,356 in ESTAR) granted to properties owned by either a corporation or LLC.

In its response, DOF generally agreed with the audit's recommendations and stated that it would address the issues identified. However, DOF officials stated that "[w]hile DOF agrees that benefits to business entities should be recouped, the agency is still reviewing the issue with regard to individuals. Our main concern is unfair treatment to 'innocent purchasers' who might have been unaware of a benefit on their property -- for example, after an ownership change. Many home owners pay their taxes through mortgage service companies and may not be fully aware of the specifics as to how their taxes are computed."

Audit Follow-up

DOF reported that 10 recommendations were either implemented or are in the process of being implemented, and that the remaining two recommendations to recover \$35,076,029 in erroneous SCHE exemptions and \$11,176,036 in excessive exemption were not implemented. DOF said it is recovering the \$1,564,978 of the \$59.2 million in erroneous exemptions. While it is appropriate that DOF is revoking the exemptions from ineligible property owners, it should also recover the \$57,612,605 in SCHE benefits that were erroneously granted.

DEPARTMENT OF FINANCE

Audit Report on the Tax Classification of Real Property in the Bronx by the New York City Department of Finance

Audit # SR16-110A

Comptroller's Audit Library #8459

Issued: September 30, 2016

Monetary Effect: Potential Revenue: \$288,391

Introduction

This audit was conducted to determine whether the New York City Department of Finance's (DOF's) procedures ensure that mixed-use properties in the borough of the Bronx classified as Tax Class 1 are correctly classified. In accordance with the *New York Real Property Tax Law* (RPTL), DOF classifies every parcel of property in New York City for real-estate purposes. These tax classes are as follows:

- *Class 1:* Consists of residential properties with three or fewer units and "Mixed Commercial/Residential Use" (mixed-use) properties with three or fewer residential and commercial units, where 50 percent or more of the space is used for residential purposes.
- *Class 2:* Includes all other primarily residential properties that are not designated Class 1. Class 2 also has three sub-classes:
 - Class 2a for a 4-to-6 unit rental building;
 - Class 2b for a 7-to-10 unit rental building; and
 - Class 2c for a 2-to-10 unit cooperative or condominium.
- *Class 3:* Includes real estate of utility corporations and special franchise properties, excluding land and certain buildings.
- *Class 4:* Includes all other properties, such as stores, warehouses, hotels, office buildings, and any vacant land not classified as Class 1.

Properties are assessed at a percentage of their full market value based on their classifications. Class 1 properties are assessed at 6 percent of market value and Class 2, 3, and 4 properties are assessed at 45 percent.

During Fiscal Year 2015, DOF collected \$21.5 billion in property taxes. According to DOF records, there were 1,048,575 taxable properties in New York City, consisting of 657,339 Class 1 properties, 278,509 Class 2 properties, 4,431 Class 3 properties, and 108,296 Class 4 properties.

Results

The audit found that, based on exterior inspections of properties listed by DOF as Class 1 mixed-use in May 2016 on the assessment rolls, 53 out of 1,143 properties listed as Tax Class 1 appeared to be misclassified. Following notification of the audit's preliminary findings, DOF requested the list of the 53 properties that appeared to be misclassified. DOF assessors then performed interior inspections, interviewed tenants and/or employees, and confirmed that 22 of the 53 properties should be reclassified. DOF still needs to conduct an interior inspection of one additional property before it makes a final decision about its classification. DOF determined that the remaining 30 properties do not require reclassification. While DOF had inspected eight of the 22 properties prior to auditors' inspections, the assessors only recommended that one of the eight properties should change tax and building classifications.

Using DOF's guidelines, the audit calculated that changing the tax classification of the 22 properties would result in an additional \$288,391 in taxes after the increases phase in over the required five-year period.

The audit made the following four recommendations:

- DOF should adjust the assessment rolls for the 22 properties that it confirmed are misclassified, to ensure that the property owner is assessed the proper amount of tax.
- DOF should ensure that property tax classification changes recommended by their assessors are implemented by the next tax year.
- DOF should determine why their inspectors did not recommend that the classifications of these properties be changed and enhance their training to address any issues identified.
- DOF should consider enhancing its oversight and quality assurance functions to ensure proper classification of properties.

In its response, DOF generally agreed with the audit's recommendations and stated that it would address the issues identified. Further, the agency stated, "All of the lots provided by the City Comptroller's office have been inspected by assessing staff and those requiring a change in tax classification have been reclassified in the Computer Assisted Mass Appraisal application."

Audit Follow-up

DOF reported that the audit recommendations have either been implemented or are in the process of being implemented.

DEPARTMENT OF FINANCE

Audit Report on the New York City Department of Finance's Administration of the Veterans' Exemption Programs

Audit # SR16-119A

Comptroller's Audit Library #8500

Issued: May 26, 2017

Monetary Effect: Potential Revenue: \$4,220,108

Introduction

This audit was conducted to determine whether the New York City Department of Finance (DOF) properly administers tax benefits granted to property owners under the Veterans' Exemption Programs. These programs provides a partial property tax exemption for veterans, the spouse or widow/widower of a veteran who has not remarried, or parents of a soldier killed in action. The Veterans' Exemption reduces the assessed value of the property, which is used to determine the property tax.

Two categories of Veterans' Exemptions are in effect in New York City: (1) the Eligible Funds Exemption, which was issued to eligible homeowners prior to 1984; and (2) the Alternative Veterans' Exemption, which has been in effect since 1984. The Eligible Funds Exemption, originally enacted in 1897, is codified in New York State Real Property Tax Law (RPTL) Section 458. The Alternative Veterans' Exemption is codified in RPTL Section 458-a. Both exemptions require applicants to provide proof of ownership. The Alternative Veterans' Exemption has a primary residence requirement that is not required for the earlier enacted Eligible Funds Exemption. Homeowners who receive Veterans' Exemptions can also apply for and receive a School Tax Relief (STAR) exemption based on their income and homeownership status.

Results

The audit found that DOF improperly credited Veterans' Exemptions to 1,503 properties, which resulted in a loss to the City of at least \$3,770,350 in property tax revenue. Specifically, DOF (1) failed to remove Veterans' Exemptions from 740 ineligible properties that were transferred to owners who were not authorized recipients of the exemptions, which resulted in the loss of at least \$1,654,869; (2) failed to remove Veterans' Exemptions from at least 341 properties after the eligible homeowners died, which resulted in the loss of at least \$798,346; (3) failed to correctly prorate the Veterans' Exemptions for 200 properties that contain four or more units, which resulted in the loss of at least \$915,173; (4) allowed at least 60 properties owned by ineligible corporations or limited liability companies (LLCs) to receive inappropriate Veterans' Exemptions, which resulted in the loss of at least \$165,219; (5) allowed 162 homeowners to receive multiple Veterans' Exemptions simultaneously, which is not allowed and resulted in the loss of \$236,743; and (6) inappropriately approved STAR exemptions for properties of deceased homeowners and ineligible corporations and LLCs, which resulted in the loss of \$449,758. All told, this audit identified \$4,220,108 in lost tax revenue.

The audit made 18 recommendations, including that DOF:

- Recover the \$1,654,869 in unwarranted tax reductions that resulted from the improper continuation of Veterans' Exemptions after the properties were transferred to new, presumptively-ineligible owners.
- Recover \$798,346 in unwarranted tax reductions that resulted from the improper continuation of Veterans' Exemptions after the qualifying homeowners died.

- Verify whether homeowners eligible for STAR exemptions are deceased, and determine whether the current property owners are eligible for the exemption. Where the current owners are determined to be ineligible, DOF should remove the STAR exemptions retroactively to the date of the eligible homeowner's death, and recover the \$368,146 in unwarranted tax reductions.
- Recover \$1,804,979 in tax reductions on 456 cooperative units and 115 other properties where Veterans' Exemptions continued after qualifying veterans died, and DOF determines there are no other qualified recipients.

In its response, DOF agreed with most of the recommendations. DOF acknowledged that for more than a decade it failed to remove the Veterans' Exemptions from properties no longer owned by eligible veterans, who may have sold the properties or died. However, DOF stated that it would not retroactively remove exemptions from ineligible properties because "owners may not have been knowledgeable or may have been confused about the tax benefit on the properties they owned. DOF does not intend to punish those *potentially* 'innocent' owners." (Emphasis added.) Thus, DOF has determined that it will not seek to recover much of the revenue that it acknowledges has been lost.

Audit Follow-up

DOF reported that 12 recommendations have been implemented, 5 recommendations concerning recovering money from ineligible property owners will not be implemented, and the remaining recommendation was partially implemented. DOF's new Property Tax System will not automatically reject multiple Veterans' Exemptions for each property owned by an individual veteran. While it is appropriate that DOF is revoking the exemptions from ineligible property owners, it should also recover the Veterans' Exemptions that were erroneously granted.

DEPARTMENT OF FINANCE

Final Letter Report on the Follow-Up Review of the Removal of School Tax Relief Exemptions for the Ineligible Properties Identified in Our Recent Audit of the New York City Department of Finance

Report # SR17-067SL

Comptroller's Audit Library #8458

Issued: August 30, 2016

Monetary Effect: Potential Revenue: \$713,454

Introduction

This follow-up review was conducted to determine whether the New York City Department of Finance (DOF) removed the School Tax Relief (STAR) exemption and the Enhanced School Tax Relief (ESTAR) exemption from ineligible properties identified in our *Audit Report on the New York City Department of Finance's Administration of the School Tax Relief Program* (Audit #FM15-070A) issued on June 17, 2015. As discussed in that audit report, DOF allowed owners of 1,509 properties to receive STAR or ESTAR exemptions for which they were not eligible. As a result, \$422,520 in property tax revenue was not collected during Fiscal Year 2015.

Results

The review found that DOF had removed the STAR or ESTAR exemption from 246 of the 1,355 properties that our audit identified as ineligible, due to corporate or LLC ownership. The review also found that an additional 294 properties are currently owned by individuals, and as a result, now appear to meet the ownership eligibility requirement for the exemption.

However, the review found that DOF did not remove the STAR or ESTAR exemptions from 807 properties that, according to the current deeds in DOF's Automated City Register Information System (ACRIS), are still owned by corporations or LLCs. Further, DOF did not remove the STAR or ESTAR exemptions from 8 additional properties with no deeds on file in ACRIS that DOF's June 2015 and June 2016 quarterly tax bills show are owned by corporate or LLC entities. These 815 properties received a total of \$713,454 in STAR or ESTAR exemptions in Fiscal Years 2016 and 2017.

When presented with the preliminary findings of our review, DOF officials explained that they needed to further investigate the ownership status of these 815 properties that, according to the current deeds and tax bills on file with DOF, are owned by corporations or LLCs. Given the amount of lost tax revenue from exemptions being incorrectly granted to these properties, we urge DOF to devote the resources necessary to correct the errors.

DOF did remove the STAR or ESTAR exemptions from 152 of the 154 properties with a non-residential building class designation. However, the audit notes that in its response to the original audit DOF stated that its investigation found 13 of the 154 properties were eligible for the exemption.

The follow-up review recommended that DOF should immediately complete any outstanding reviews of the 815 properties identified in this follow-up review and remove the STAR or ESTAR exemptions from all ineligible properties.

In its response, DOF agreed with the report's recommendation and stated that it "is in the process of completing its outstanding review of properties identified as owned by corporate entities. Immediately following the review, DOF will notice the affected corporations or LLCs of their ineligibility. After noticing the ineligible corporations or LLC's, DOF will remove the exemption from the affected properties by the next assessment roll (the next opportunity to revoke STAR benefits)." Additionally, DOF stated that it "is working with the Law Department to ensure that inappropriate prior-year benefits to business owners are recouped."

Audit Follow-up

DOF reported that it has completed its evaluation of the 815 properties identified in the follow-up review and has removed the STAR or ESTAR exemptions from all ineligible properties.

DEPARTMENT OF FINANCE

Audit Report on the Tax Classification of Real Property in the Borough of Staten Island by the New York City Department of Finance

Audit # SR17-084A

Comptroller's Audit Library #8480

Issued: February 24, 2017

Monetary Effect: Potential Revenue: \$86,599

Introduction

This audit was conducted to determine whether the New York City Department of Finance's (DOF's) procedures ensure that mixed-use properties in the borough of Staten Island classified as Tax Class 1 are correctly classified. In accordance with the *New York Real Property Tax Law* (RPTL), DOF classifies every parcel of property in New York City for real-estate purposes. These tax classes are as follows:

- *Class 1:* Consists of residential properties with three or fewer units and "Mixed Commercial/Residential Use" (mixed-use) properties with three or fewer residential and commercial units, where 50 percent or more of the space is used for residential purposes.
- *Class 2:* Includes all other primarily residential properties that are not designated Class 1. Class 2 also has three sub-classes:
 - Class 2a for a 4-to-6 unit rental building;
 - Class 2b for a 7-to-10 unit rental building; and
 - Class 2c for a 2-to-10 unit cooperative or condominium.
- *Class 3:* Includes real estate of utility corporations and special franchise properties, excluding land and certain buildings.
- *Class 4:* Includes all other properties, such as stores, warehouses, hotels, office buildings, and any vacant land not classified as Class 1.

Properties are assessed at a percentage of their full market value based on their classifications. Class 1 properties are assessed at 6 percent of market value and Class 2, 3, and 4 properties are assessed at 45 percent.

During Fiscal Year 2015, DOF collected \$23.18 billion in property taxes. According to DOF records, there were 1,103,323 taxable properties in New York City, consisting of 708,577 Class 1 properties, 278,925 Class 2 properties, 4,592 Class 3 properties, and 111,229 Class 4 properties.

Results

The audit found that, based on exterior inspections of properties listed by DOF as Class 1 mixed-use in May 2016 on the assessment rolls, 28 out of 943 properties listed as Tax Class 1 appeared to be misclassified. Following notification of the audit's preliminary findings, DOF requested the list of the 28 properties that appeared to be misclassified. DOF assessors then performed interior inspections, interviewed tenants and/or employees, and confirmed that 12 of the 28 properties should be reclassified. DOF determined that the remaining 16 properties do not require reclassification. While DOF had inspected 4 of the 12 properties prior to the inspections, the assessors did not recommend changes in the tax and building classifications of any of the 4 properties.

Using DOF's guidelines, the audit calculated that changing the tax classification of the 12 properties would result in an additional \$86,599 in taxes after the increases phase in over the required five-year period.

The audit made the following three recommendations:

- DOF should ensure that property tax classification changes recommended by their assessors are implemented by the next tax year.
- DOF should determine why their inspectors did not recommend that the classifications of these properties be changed and enhance their training to address any issues identified.
- DOF should consider enhancing its oversight and quality assurance functions to ensure proper classification of properties.

In its response, DOF agreed with the recommendations and indicated it would address the issues identified. Further, the agency stated, "All of the lots provided by the City Comptroller's office have been inspected by assessing staff and those requiring a change in tax classification have been reclassified in the Computer Assisted Mass Appraisal application."

Audit Follow-up

DOF reported that the audit recommendations have either been implemented or are in the process of being implemented.

DEPARTMENT OF FINANCE

Audit Report on the Compliance of the New York City Department of Finance with Executive Order 120 Regarding Limited English Proficiency

Audit # SZ17-060A

Comptroller's Audit Library #8478

Issued: February 3, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the Department of Finance (DOF) was in compliance with Executive Order (EO 120), which requires that City agencies providing direct services to the public create a language access implementation plan, to ensure meaningful language access to their services.

New York City, with a population of more than 8.5 million people, is home to one of the most diverse populations in the world, with more than 3.2 million foreign-born residents from more than 200 countries. According to the New York City Department of City Planning, nearly one-half of all New Yorkers speak a language other than English at home, and almost 25 percent of City residents age five and over, or 1.8 million persons, are not proficient in English. For residents with limited English proficiency, interacting with City government and receiving access to City services can be a challenge.

In July 2008, Mayor Bloomberg signed EO 120, which requires all City agencies to provide opportunities for limited English speakers to communicate with City agencies and receive public services. EO 120 specifically requires City agencies providing direct public services to ensure meaningful access to limited English proficiency (LEP) persons. To accomplish this, EO 120 requires these agencies to develop and implement agency-specific language assistance plans for LEP persons.

Results

The audit found that DOF generally complied with EO 120. A review of DOF's Language Access Plans from 2009 through 2015 demonstrates that DOF has made steady progress in its efforts to provide meaningful language access to the agency's services for LEP customers at its five business centers. Each annual Language Access Plan described the steps that DOF has taken to provide additional services to the LEP population.

DOF provides services to its customers in the top six New York City LEP languages. Further, the audit found that through a City-wide contract with Voiance Language Services, LLC and Language Line Services, LLC, DOF has the ability to provide documentation, translation and phone interpretation services in 175 languages.

In its written response, DOF officials generally agreed with the audit's finding and recommendation and stated, "We thank your office for acknowledging our efforts regarding language access. We are always looking to provide the best possible customer services to all of our constituents--in whatever language they require."

DEPARTMENT OF FINANCE**Final Letter Report on the New York City Department of Finance's Compliance with Local Law 25 Regarding Translation of Agency Website**

Audit # SZ17-110AL

Comptroller's Audit Library #8494

Issued: May 15, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the Department of Finance (DOF) complied with Local Law 25, which governs the translation of websites of New York City agencies. Local Law 25 is intended to make City agencies, and ultimately the City as a whole, more accessible to foreign-born residents whose primary language is not English. This audit of DOF was one in a series of audits we are conducting of the City's compliance with Local Law 25.

New York City, with a population of more than 8.5 million people, is home to one of the most diverse populations in the world, with more than 3.2 million foreign-born residents from more than 200 countries. According to the New York City Department of City Planning, nearly one-half of all New Yorkers speak a language other than English at home, and almost 25 percent of City residents age five and over, or 1.8 million persons, are not proficient in English. For residents with limited English proficiency, interacting with City government and receiving access to City services can be a challenge.

Most City agencies have a significant presence on the internet and rely on agency websites to provide information and interact with the public. Accordingly, in 2016, Mayor de Blasio signed Local Law 25, amending the City's Administrative Code regarding citizens' ability to access translation of City websites. Local Law 25 requires that every website maintained by or on behalf of a City agency include a translation service enabling users to view the text of that website, wherever practicable, in languages other than English. It also requires that the translation service be identifiable in a manner that is comprehensible to speakers of the seven most commonly spoken languages in the city. As determined by the Department of City Planning, the seven most commonly spoken languages in New York City amongst residents with limited English proficiency are Spanish, Chinese (includes Cantonese, Mandarin, and Formosan), Russian, Bengali, French Creole (also called Haitian Creole), Korean and Arabic.

Results

The audit found that DOF generally complies with Local Law 25. DOF's website, found at <http://www1.nyc.gov/site/finance/index.page>, includes a translation feature for viewing text and essential information in various languages, including the top seven noted languages. DOF's website also provides important information regarding its functions and services. This includes but is not limited to information pertaining to DOF's various divisions, office locations, contact information, benefits, ways to save, paying property taxes, paying fines, paying or disputing parking tickets, serving legal papers, judgement collection, NYC Rent Freeze Program, relevant news, updates, guides, searching property records and property tax rates. All information can be translated and viewed in each of the top seven noted languages.

In addition, DOF provides an extensive quantity of documents on its website such as Property and Business Tax forms, Vehicle-Related Forms, Benefit Forms and Sheriff/Court Forms. DOF's most frequently requested documents can be translated and downloaded in DOF's six most requested languages (Spanish, Chinese, Russian, Bengali, Haitian Créole and Korean).

Certain documents (e.g., tax or financial forms) may not be available for translation online due to their legal nature. However, DOF provides translation and interpretation services in all of its locations that interact with the general public, including its five Borough Business Centers located in Manhattan, Bronx, Brooklyn, Queens and Staten Island.

In its response, DOF agreed with the report's findings and stated, "DOF is in receipt of your Draft Letter Audit Report, dated April 24, 2017, pertaining to our agency's compliance with Local Law 25. We thank your office for acknowledging our efforts regarding language access on the DOF website and translated documents. We are always looking to provide the best possible customer service to all of our constituents – in whatever language they require."

DEPARTMENT OF HOMELESS SERVICES**Audit Report on the Samaritan Daytop Village Inc.'s Compliance with Its Contracts with the Department of Homeless Services**

Audit # FP16-068A

Comptroller's Audit Library #8477

Issued: January 24, 2017

Monetary Effect: Actual Revenue: \$346,337

Introduction

This audit was conducted to determine whether Samaritan Daytop Village Inc. (Samaritan), a nonprofit corporation that provides shelter and services to homeless individuals and families, was in compliance with contracts with the New York City Department of Homeless Services (DHS). The audit examined whether DHS payments to Samaritan and the payment rates were reasonable, appropriate, and adequately supported. The audit also examined whether DHS adequately monitored Samaritan to ensure that all payments were made in compliance with the terms of the contracts.

DHS is responsible for providing temporary emergency shelter and social services to eligible homeless adults and families. During the audit scope period, the agency contracted with approximately 77 for-profit and nonprofit corporations to provide homeless services, of which Samaritan was one. Pursuant to contracts with DHS, Samaritan was responsible for delivering services to homeless families and individual adults at multiple facilities throughout New York City. For our scope period of Fiscal Year 2015 (July 1, 2014 – June 30, 2015), DHS paid Samaritan approximately \$51.8 million for services it provided in connection with seven contracts that required Samaritan to operate four Single Adult Shelters and three Family Shelters.

Results

The audit found that Samaritan generally complied with the fiscal requirements of its DHS contracts. Samaritan's payment rate calculations were reasonable and its expenditures appeared appropriate, in line with the budget, and adequately supported. However, the audit found that DHS provided excessive cash advances to Samaritan beyond the amounts dictated by DHS' internal guidelines, and that DHS failed to fully recoup these excess cash advances. These advances exceeded the maximum amount allowed by DHS's own Fiscal Manual by \$1.5 million. As of November 15, 2016, DHS had failed to recoup \$346,337 of that excess amount.

The audit also found weaknesses in Samaritan's controls over the maintenance of its In/Out Log sheets at the Family Shelter facilities, which are required to support its calculation of the number of "care days" it provided and for which it billed DHS. Finally, the audit found that although DHS did not perform expenditure reviews of Samaritan's contracts for Fiscal Year 2015, Samaritan's expenses appeared appropriate, but the audit noted that expenditure reviews are necessary to enable DHS to effectively monitor the fiscal performance of Samaritan and other providers. As a result DHS has limited assurance that the expenses being billed are valid, given the lack of a requirement for a fiscal review in the Fiscal Manual.

The report made five recommendations, including that DHS should (1) recoup the outstanding advance of \$346,337 from Samaritan; (2) follow its Fiscal Manual when making advances and recoupments, to better ensure that all advances paid are recouped by end of the annual closeout; (3) ensure that advance payments made to providers do not exceed the allowed maximum advanced amounts as stated in their Fiscal Manual; and (4) amend the Fiscal Manual or develop internal procedures that determine a frequency with which to conduct expenditure reviews.

The audit also recommended that Samaritan should maintain and safeguard In/Out Log sheets to ensure that “care day” billing invoices are properly supported.

In its response, submitted by the New York City Human Resources Administration on behalf of DHS, the agency agreed with three of four recommendations and stated that it was taking action to strengthen the vendor management process, revise the Fiscal Manual to more closely align with established internal policies and procedures, and develop a more formal process for its expenditure reviews. However, DHS disagreed with the recommendation that it follow its Fiscal Manual when making advances and recoupments to better ensure that all advances paid are recouped by closeout.

Audit Follow-up

In its response, Samaritan stated that it has “implemented a system to ensure better maintenance and safeguarding of the program in/out log sheets.”

DHS reported that it has implemented three of the four of the recommendations addressed to DHS. DHS reported that it has recouped the \$346,337 from Samaritan, but continues to disagree with the recommendation to follow its Fiscal Manual when making advances and recoupments.

While DHS claimed that the root cause of its inability to recoup the funds was due largely to pending contract actions, the contract in question was active and did not expire until the following year. Therefore, we reiterated that DHS should follow its Fiscal Manual when making advances and recoupments.

DEPARTMENT OF HOMELESS SERVICES**Investigation into the Provision of Child Care Services in New York City Homeless Shelters**

Report # R117-094S

Comptroller's Audit Library #8463

Issued Date: October 26, 2016

Monetary Effect: None

Introduction

This investigation was conducted to review the provision of childcare services by the New York Department of Homeless Services (DHS). The number of families with children relying on DHS for shelter has swelled in recent years. By October 2016, the City's total shelter population topped 60,000 people, including more than 23,000 children. As families stayed in the shelter system for an average of more than 400 days, these young children spent substantial portions of their early lives in DHS shelters. The Audit Bureau, assisted by the Comptroller's Bureau of Public Policy, conducted an investigation of child care services within the DHS shelter system—inspecting 21 on-site child care centers in City shelters, surveying all 167 DHS shelters for families with children, and interviewing officials from DHS and the Administration for Children's Services (ACS), the two City agencies that manage the delivery of services to homeless families and children.

Results

The investigation found that of the 167 shelters for families with children, 99 shelters (59 percent) offered no child care services, 43 shelters (26 percent) had on-site child care centers, and 25 shelters (15 percent) offered referrals for child care services. All of the 43 on-site child care centers operated without any permits from City government. Those centers had been exempted from rigorous health and safety standards in New York City's Health Code. Consequently, 82 percent of their 131 child care workers did not undergo proper background checks for disqualifying criminal and child abuse histories, as the Health Code would have required. In addition, 49 percent of the centers' childcare workers lacked valid training in child abuse and maltreatment identification, reporting, and prevention.

Moreover, an investigation of the child care rooms in 21 shelters revealed serious health and safety risks: 41 percent had no sprinklers; 18 percent had no fire extinguishers; and 9 percent of the emergency exit doors were locked from the inside, without emergency push bars. The investigation also found that DHS and ACS were not sharing basic data or systematically coordinating services. As a result, the City could not readily identify which children under the age of three in the shelter system were receiving child care and early-education services, and which were not. Finally, DHS's data showed a sharp increase in its placement of families with children in commercial hotels, which offer no child care services.

The investigation recommended that the New York City Department of Health and Mental Hygiene regulate on-site child care at homeless shelters. It also recommended that the New York City Human Resources Administration, DHS, and ACS collaborate to provide homeless children with vouchers, that DHS enforce its contracts with providers so that homeless children living in shelters have meaningful access to off-site child care; and that DHS stop placing homeless families in commercial hotels.

NEW YORK CITY HOUSING AUTHORITY**Audit Report on the New York City Housing Authority's Oversight of Contracts Involving Building Envelope Rehabilitation**

Audit # SE16-065A

Comptroller's Audit Library #8524

Issued: June 30, 2017

Monetary Effect: Potential Savings: \$138,955

Introduction

This audit was conducted to determine whether the New York City Housing Authority (NYCHA) effectively monitors construction contracts involving building envelope work to ensure that required work is being performed appropriately, on time and in accordance with contract terms and industry standards. Envelope work pertains to work making buildings water-tight, through rehabilitating and or replacing so-called envelope components, such as roofs, facades, windows and foundations.

NYCHA is the largest public housing authority in North America, and its mission is to provide safe, affordable housing for more than 400,000 low and moderate-income New Yorkers in 328 public housing developments. NYCHA's housing stock is aging: 270 of its developments are 30 or more years old and of those, 114 are more than 50 years old. NYCHA's Capital Projects Division (CPD) is tasked with preserving and modernizing public housing by providing professional design and construction services.

A major focus of CPD's work is envelope work, which is accomplished through projects that use either traditional, standalone construction contracts or requirements contracts. Three units in the Construction Programs section of CPD are responsible for managing envelope rehabilitation work: the Local Law 11 Unit, the Special Projects Unit, and the Construction Unit. Data received from NYCHA shows that building envelope rehabilitation work was performed on 43 projects utilizing 51 unique contracts awarded from January, 2013 through November, 2015, our audit scope period. The total dollar amount for those contracts was approximately \$1.02 billion.

NYCHA utilizes several types of software to manage its construction activities, principally Primavera, its project management system of record, Oracle Financials (Oracle), its financial system of record, and an auxiliary Microsoft Access database, known as the Mod database.

Results

The audit found that NYCHA needs to improve its monitoring of construction contracts involving building envelope rehabilitation work to ensure that all required work is being performed appropriately, on time and in accordance with contract terms and industry standards. Although there appears to be adequate field staffing and inspection of construction work, and sufficient information flow from construction sites to the central office and upper management, NYCHA needs to improve controls and utilize resources more effectively to deliver quality improvements for residents.

In particular, the audit found deficiencies in the finished work product observed at several locations during our field inspections of a sample of the projects, as well as construction work that was completed late at three of five sampled developments undertaken by the Special Projects unit. Auditors found inadequate project scoping at one of three sampled developments overseen by the Construction unit, leading to the questionable use of a change order to procure substantial additional work to address conditions that appear to have existed at the time the original contract

was let, and recordkeeping weaknesses in Primavera and unreliable data in the Mod database. Further, the audit identified \$138,955 in potential monetary effect, which includes: \$95,200 for liquidated damages for projects completed late; \$38,200 for sub-standard base flashing installation; \$5,000 for defective roof work; and \$555 for minor deficiencies in completed construction.

The report made 25 recommendations, including that NYCHA should (1) ensure that full inspections are properly completed before any roofing work is accepted; (2) ensure that warranty maintenance programs for all roofs under active warranty are followed, including the examination of roofs after severe weather conditions; (3) bring any potential non-conformance to the attention of the roofing manufacturer for consideration to avoid impacting the warranty; (4) conduct thorough field surveys to ensure that contract drawings accurately address existing conditions; and (5) ensure that complete and accurate information is entered into the Mod database in a timely manner.

In its response, NYCHA agreed with 9 recommendations and disagreed with 6 recommendations. NYCHA said the remaining 10 recommendations are not applicable “because the proposed recommendation is consistent with our current practice.” However, NYCHA ignored the overall audit finding that it needs improve its controls and utilize its operational resources effectively to ensure that it delivers quality improvements for its residents that will last their expected useful life.

NYCHA disagreed with the recommendations that it should correct the improper roof drainage on Lafayette Gardens’ Building 5 roof and should follow warranty maintenance program including examination of roofs after severe weather conditions. NYCHA contended that it did not observe ponding when it conducted an inspection after a rainstorm and claimed that it conducts examinations of roofs after severe weather. However, NYCHA chose to ignore the need for National Roofing Contractors Association required periodic inspection based on the audit finding and did not provide any substantiating documentation that it had in fact conducted the required inspection after the severe weather on the date of the audit inspection, as NYCHA contends is its “current practice.”

NYCHA said that 10 recommendations are not applicable because the proposed recommendations were consistent with its current practice. However, in its response, NYCHA did not provide the required documentation we found missing. And, in cases when it provided documentation to support its claim, submitted documents were either incomplete, lacked adequate details, or were not consistent. Consequently, NYCHA failed to support its assertions that proposed audit recommendations were consistent with its current practice.

Audit Follow-up

NYCHA reported that it is in the process of implementing eight of the nine recommendations that NYCHA agreed with in its audit response. In its October 2017 response, NYCHA did not provide a status update for the audit recommendation that it should consider identifying completion of work at each development as a contract milestone so liquidated damages may be assessed and enforced when appropriate.

DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT

Audit Report on the Department of Housing Preservation and Development's Efforts to Collect Outstanding Money Judgments

Audit # MJ16-063A

Comptroller's Audit Library #8466

Issued: November 17, 2016

Monetary Effect: None

Introduction

This audit was conducted to determine the effectiveness of the Department of Housing Preservation and Development's (HPD) efforts to collect outstanding money judgments resulting from assessed penalties.

HPD enforces compliance with the New York City (City) Housing Maintenance Code and the New York State (NYS) Multiple Dwelling Law. To meet these responsibilities, HPD's Code Enforcement Unit (Code Enforcement) inspects residential multiple-dwellings in response to complaints from tenants and referrals from other units of HPD. Code Enforcement issues Notices of Violation (NOVs) to building owners in response to observed violations, and when owners receive an NOV they must correct the cited conditions within a specified amount of time and certify to HPD—either by mail or online—that the violations have been corrected. If a building owner fails to correct a violation or notify HPD of the correction, or if repeated violations are found, HPD may seek legal redress to impose civil penalties against the owner. Penalties can range up to \$1,000 per offense or \$1,000 per day until the violation is corrected.

As part of its enforcement efforts, HPD's Housing Litigation Division (Housing Litigation) is authorized to initiate cases in Housing Court, to compel building owners to correct violations and/or to enforce civil penalties. When the court finds in favor of HPD and imposes a penalty, a judgment is entered against the building owner (the judgment debtor), and a judgment lien is attached to the subject property as well as all other real estate held in the judgment debtor's name in that county.

When the judgment debtor (i.e., the owner) fails to pay a money judgment, enter into a stipulation agreement, or honor an existing agreement with HPD, Housing Litigation will transfer the case to its Judgment Enforcement Unit (JEU) for collection action. JEU's collection efforts depend largely upon the amount of the judgment, the circumstances of the case, and the perceived likelihood of success of those collection efforts.

According to the Comptroller's Comprehensive Annual Financial Report, HPD collected \$5.6 million in Fiscal Year 2014, of which JEU collected \$2.3 million. In Fiscal Year 2015, HPD collected \$6.9 million in fines, \$3.2 million of which was collected by JEU.

Results

The audit found that, although it acted in accordance with the New York Civil Practice Law and Rules (CPLR), JEU did not collect the vast majority of money judgments referred to it for collection. However, the audit was unable to determine JEU's overall rate of collection because HPD did not provide sufficient information about outstanding judgment balances and annual payments received from which such a calculation could be made. The audit also noted that JEU has a limited number of legal staff to pursue cases in court, and that its caseload was significantly backlogged, with nearly half its total caseload unresolved for an average of two years.

Consequently, cases are not acted upon in a timely manner, limiting HPD's efforts to collect outstanding money judgments.

The audit made six recommendations, including:

- HPD should work with the Mayor's Office of Operations (MOO) to: (1) identify the relevant City agencies that administer rental assistance, tax refunds, and other City payments to building owners; and (2) cross-check HPD's list of judgment debtors with the building owners receiving payments from such City agencies.
- HPD should coordinate efforts with relevant City agencies to levy on non-exempt funds payable to HPD's judgment debtors, assisted as needed by MOO, the City Law Department, Department of Finance, its Office of the Sheriff, and the City marshals, and apply the net proceeds of such levies to the satisfaction of HPD's outstanding judgments.
- HPD should consider hiring or reassigning staff attorneys from other organizational areas to JEU, to reduce the current backlog of unassigned cases.
- HPD should consider transferring cases to the City's Law Department and/or an outside agency to collect outstanding money judgments.

HPD officials agreed with all six of the audit's recommendations.

Audit Follow-up

HPD reported that it has implemented the recommendation to transfer cases to the Law Department. The remaining five recommendations are in process, awaiting the completion of the new Assistant Commissioner's review of HPD's collection process.

DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT

Audit Report on the New York City Department of Housing Preservation and Development's Controls over the Awarding of Housing Incentive Projects

Audit # MJ17-065A

Comptroller's Audit Library #8517

Issued: June 27, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether New York City (the City) Department of Housing Preservation and Development (HPD) has adequate controls to ensure that its housing incentive projects are awarded to responsible property owners and developers. The audit examined whether these projects (1) meet all program requirements; (2) have the ability to create or preserve affordable housing units, in accordance with program guidelines; and (3) have the business integrity and reliability, including a satisfactory record of performance, to ensure a good faith performance.

HPD's mission is to promote the construction and preservation of affordable housing for low- and moderate-income families throughout the City. Its Office of Development was responsible for overseeing 30 different affordable housing programs during our audit scope period, including eight real property tax benefit programs authorized by State and City laws to facilitate private and publicly-subsidized rehabilitation and new construction throughout the City.

To become an affordable housing sponsor (i.e., a developer of affordable housing units under one of the HPD programs), applicants submit a proposal that HPD program personnel assess. If a proposal is accepted, HPD staff help the applicant obtain the support needed to become an affordable housing sponsor. As part of the process, applicants must also submit disclosure documents for the individuals and entities involved in the project to HPD's Sponsor Review Unit (SRU). SRU staff review and conduct background checks on the sponsors, while HPD staff analyze the physical condition and financial health of applicants' other properties. HPD staff work with them, prior to loan closing, to ensure that outstanding violations or arrears connected to those properties have been corrected.

According to HPD's Affordable Housing Production data, during Fiscal Years 2015 and 2016, 624 HPD-related projects comprising 30,083 affordable units were either preserved or created.

Results

The audit found that, although HPD appears to have adequate controls to ensure that affordable housing incentives are awarded to property owners and developers who meet program requirements, the agency's practices and procedures limit its ability to assess the quality of potential sponsors' performance with prior affordable housing programs.

The audit reviewed a sample of 12 program files for affordable housing incentive projects, and found no evidence that assessments had been conducted of the applicants' prior performance as affordable housing sponsors, except where applicants were previously involved with the federal Low Income Housing Tax Credits (LIHTC) program, and the federal HOME funds program. Moreover, HPD does not centrally track compliance information for sponsors in programs other than LIHTC or HOME funds.

The audit recommended that HPD should:

- Reinforce its requirement that Assistant Commissioners sign the sponsor review reports and maintain the signed reports on file to ensure and provide assurance that they reviewed the report and approved the project to proceed to closing.
- Centrally track signed sponsor review reports to ensure that projects are not allowed to proceed or close without the responsible Assistant Commissioner's signature on the reports.
- Review and assess applicants' compliance with affordable housing program requirements on all prior HPD projects, to ensure that they have complied with the requirements of previous agreements before participating in new projects.
- Monitor and assess all affordable housing projects' performance in meeting goals and complying with requirements, and maintain a centralized database documenting its assessment results.

In its response, HPD agreed that its Assistant Commissioner should sign-off on sponsor review reports, and that it should develop a centralized database. However, it disagreed with the other recommendations, saying projects were in compliance, and disagreed that its practices and procedures limit its ability to assess sponsors' prior performance. After reviewing HPD's arguments, we find no basis to alter the audit's findings and conclusions.

Audit Follow-up

HPD said it has implemented the first two recommendations and continues to assert for the remaining two recommendations that it "has a system that monitors affordable housing requirements . . . [and] is investing in a suite of technologies that will significantly enhance our asset management capabilities and centralize compliance reporting."

DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT

Audit Report on the Department of Housing Preservation and Development Engineering Audit Office's Compliance with Comptroller's Directive #7

Audit # SE15-119A

Comptroller's Audit Library # 8490

Issued: April 26, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the New York City Department of Housing Preservation and Development's (HPD's) Engineering Audit Division complied with the provisions of Comptroller's Directive #7, *Audit of Requests for Payment Received Under Contracts for Construction, Equipment, and Construction-Related Services*.

HPD's mission is to promote the construction and preservation of affordable, high quality housing for low- and moderate-income families by enforcing housing quality standards, financing affordable housing development and preservation, and ensuring sound management of the City's affordable housing stock. Under the authority of the New York City Charter, New York City Comptroller Directive #7 requires that certain City agencies establish Engineering Audit Offices to conduct independent audits of payment requests for construction, equipment and related consultant service contracts, prior to those payments being processed in the City's Financial Management System (FMS). The Directive further provides directions on how such audits should be conducted.

Pursuant to Directive #7, HPD's Engineering Audit Division (EAO) must conduct reviews to ascertain the accuracy of payment amounts charged by contractors and vendors, including prices, quantities and calculations; perform field visits to physically verify work progress; and determine whether invoiced work has been completed in accordance with plans and specifications, and that the City has received appropriate value. According to EAO records, the division audited 9,268 payment requisitions totaling \$56.1 million, including payment requests for change orders during Fiscal Years 2014 and 2015.

Results

The audit found that the EAO did not implement or follow appropriate procedures to ensure the EAO's and HPD's full compliance with Directive #7. Specifically, the audit found that not all of the EAO's payment request reviews were conducted in accordance with the requirements of Directive #7. Further, we found that not all payment requests subject to Directive #7 were submitted to the EAO for the required reviews and approval before HPD paid the contractors.

As a result, we could not ascertain whether \$9.6 million in sampled payments to contractors for demolition projects were justified. In addition to the nearly \$900,000 in 7 payment requests we identified in our sample as having been paid without submission to the EAO for review or approval, HPD failed to submit an additional 154 payment requests for demolition work to the EAO. As a result, HPD paid an additional \$2.3 million to contractors without any assurance that the prices, quantities and calculations reported on the payment requests were accurate, that the contractors fulfilled their contractual obligations, and that the City received appropriate value.

The audit made 19 recommendations, including that HPD: (1) develop written EAO review policies and procedures that assure complete and consistent EAO recordkeeping and reviews in accordance with Directive #7; (2) ensure that EAO conducts field visits to physically verify requested payment amounts and documents the results of field visits in accordance with Directive #7; and (3) develops written policies and procedures that ensure agency compliance with Directive #7 and reinforce EAO's role and authority.

In its response, HPD disagreed with the majority of the findings and recommendations and stated that “[t]he audit report is flawed. HPD's demolition jobs are mostly emergency situations not specifically addressed in Directive No. 7 HPD's Engineering Audit Office (EAO) is in compliance with Comptroller's Directive No. 7 (Directive), which explicitly allows the EAO to utilize professional judgement in the development and execution of audit procedures depending on the nature of the work or project, the type of payment requested, and the state of work completion.”

HPD also stated in its response that “[i]n our view, the Audit Report is flawed because the auditors . . . rejected valid evidence from HPD showing that desk audits and field visits were conducted, [and] ignored evidence that photographs were stored electronically by job address, and failed to acknowledge that HPD's LMU [Labor Monitoring Unit] handles all of the agency's prevailing wage matters.” However, auditors considered all of the evidence tendered by HPD of its reviews, photos and reviews by the LMU.

Audit Follow-up

HPD reported that it has implemented the two recommendations it agreed with and continues to disagree with the remaining 17 recommendations. This response demonstrates a fundamental misinterpretation of Directive #7. The Directive does not permit a departure from controls absent a proper basis and assurances of compensating controls. As it states, the EAO must “exercise professional judgment, *consistent with the intent of these guidelines*, to determine the nature and extent of the audit procedures necessary for evaluating the payment requests under review.”

HUMAN RESOURCES ADMINISTRATION

Audit Report on the New York City Human Resources Administration's Controls over Its Miscellaneous, Employee, and Imprest Fund Accounts

Audit # FP16-060A

Comptroller's Audit Library #8497

Issued: May 22, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the Human Resources Administration (HRA) properly administered its Miscellaneous Expense Account (MEA account), Employee Expense Account (EEA account) and Imprest Fund Account (Imprest account) in accordance with Comptroller's Directives #11, #3, #6, and #24 and other applicable policies and procedures. HRA is responsible for providing temporary help to individuals and families with financial and social service needs in an effort to assist them to address those needs and reach self-sufficiency.

HRA administers 16 bank accounts that it uses to disburse public assistance funds and other client-related expenditures, categorized as "programmatic expenses." This audit focuses on three of these 16 accounts: the MEA account, established to pay for certain client-related programmatic expenses ranging from \$250 to \$50,000; the Imprest account, established to pay for agency-related expenses of up to \$250; and the EEA account, established to reimburse employees for out-of-pocket expenses, generally with no dollar limit. In Fiscal Year 2015, the audit scope period, expenditures related to those three accounts totaled approximately \$19 million.

Results

The audit found that HRA failed to properly administer the activities of its MEA account, which it used to disburse more than \$18 million in Fiscal Year 2015. The audit found that HRA lacked adequate controls over the MEA account and allowed it to be used for inappropriate expenditures that were contrary to its stated purposes, some of which lacked adequate documentation. HRA mismanaged the account's cash flow and maintained a negative book balance for 7 out of 12 months during Fiscal Year 2015, primarily by failing to voucher sufficient funds to timely cover account expenditures. It also funded more than \$11 million in postage and intra-agency expenditures with Miscellaneous Payment Vouchers in violation of Comptroller's Directive #24.

As for the Imprest account and the EEA account, HRA generally complied with the Comptroller's Directives. But it used its Imprest account for expenditures that were contrary to Comptroller's Directive #3, and did not ensure that all of its Imprest account expenditures were adequately supported. Finally, HRA misclassified its MEA and EEA accounts as imprest funds in its Active Agency Bank Account filings.

The audit made 11 recommendations, including that HRA should:

- Establish proper fiscal controls and independent oversight to: (a) prevent the disbursement of checks and Electronic Fund Transfers that are not in compliance with the authorized purpose of the MEA account; and (b) prevent expenditures from the account outside of pre-established monetary limits.
- Cease HRA's practice of using its MEA and Imprest accounts interchangeably; implement controls to restrict the use of all agency-administered accounts to their authorized purposes and monetary limits, and ensure that all such uses are consistent with applicable Comptroller's Directives.

In its response, HRA officials generally disagreed with most of the report's findings, agreed with one recommendation, partially agreed with three recommendations and disagreed with seven recommendations. Specifically, HRA responded that "[a]lthough there may be other payment vehicles available for these purchases, none of the expenditures were inappropriate."

However, the audit found that more than \$11 million (60 percent) of the \$18.2 million that HRA spent from the MEA account in Fiscal Year 2015 involved HRA's inappropriate use of Miscellaneous Payment Vouchers, mostly for postage, in direct violation of Comptroller's Directive #24. An additional \$4.8 million (26 percent) was spent on bulk purchases of MetroCards. In sum, 86 percent of HRA's spending from the MEA account was for foreseeable, recurring purchases totaling millions of dollars annually that HRA, with proper planning, could have executed directly and transparently through the City's Financial Management System.

Audit Follow-up

HRA reported that all of the audit recommendations have either been implemented or are in the process of being implemented.

INDEPENDENT BUDGET OFFICE

Letter Report on the Independent Budget Office's Inventory Practices

Audit # FK17-069AL

Comptroller's Audit Library #8489

Issued: April 18, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the Independent Budget Office (IBO) maintains a reliable and effective internal control system over inventory as required by Comptroller's Directive #1, *Principles of Internal Control and Financial Integrity Statement*, and the New York City Department of Investigation's (DOI's) *Standards for Inventory Control and Management* (the DOI Standards).

IBO provides nonpartisan information about the City's budget to the public and elected officials. It presents budgetary reviews, economic forecasts, and policy analyses in the form of reports, testimony, memos, letters, and presentations. In addition, IBO produces guides to understanding the budget and provides online access to key revenue and spending data from past years. In the Comptroller's Comprehensive Annual Financial Reports for Fiscal Year 2015 and Fiscal Year 2016, IBO reported expenditures totaling \$3,944,381 and \$3,991,457; of those amounts, \$618,612 (15.7 percent) and \$631,175 (15.8 percent), respectively, were for other than personal service expenditures. Based on our review of purchasing records, we estimate that IBO purchased office equipment items with a total value of \$49,406 during Fiscal Year 2015 and Fiscal Year 2016.

Results

The audit found that, with some exceptions, IBO generally adhered to applicable procedures related to the safeguarding of assets. However, the audit found several weaknesses, which IBO should address to strengthen its controls over inventory. In particular, the audit found that IBO did not tag all office equipment and include all equipment on its inventory of assets as required by The DOI Standards. The DOI Standards require that "[p]ermanent records are maintained, centrally, to track all non-consumable goods issued to each agency unit, including type of equipment, manufacturer, serial number, agency control number, condition, location, date issued, and the person(s) responsible for maintenance Readable, sturdy property identification tags (reading 'Property of the City of New York') with a sequential internal control number are [to be] assigned and affixed to valuable items."

In addition, IBO did not document that it conducted periodic inventory counts of its main office and off-site location or the count results. Further, IBO did not fully update its inventory list to ensure that it was accurate and complete.

Lastly, IBO did not maintain written policies and procedures for controls over the safeguarding of assets as required by the DOI Standards, which states, "[a]gency management is responsible for ensuring that there are policies and procedures and that these are updated to include the requirements established in these Standards."

The audit makes four recommendations, including that IBO should:

- Tag and inventory all office equipment with a useful life of more than one year as required by the DOI Standards.
- Document the date and results of periodic inventory counts performed for its main office and off-site location.
- Ensure that it updates its inventory list after periodic inventory counts are performed.
- Develop and implement written policies and procedures as required by the DOI Standards.

In its response, IBO stated that it was “pleased that you found our agency ‘generally adhered to applicable procedures related to the safeguarding of assets’” and agreed to implement three of the audit’s four recommendations.

IBO did not agree to tag and inventory all office equipment with a useful life of more than one year as required by the DOI Standards. In its response signed by its Director, IBO stated that “[b]ased on the ultimate finding that every item sought by your audit team was accounted for, I believe that we have implemented a process that works well for an agency of our size.”

Audit Follow-up

IBO reported that it implemented or is in the process of implementing the two audit recommendations regarding periodic inventory counts and written policies and procedures. IBO did not address the recommendation that it should ensure that it updates its inventory list after periodic inventory counts are performed, and continues to disagree with the recommendation that it should tag all items with a useful life of more than one year as required by the DOI Standards. IBO stated that:

“Every one of the 200 items sought under the audit, tagged or not, was located. Given this track record, we do not think that adding to the inventory workload of our administrative staff, which currently numbers only two, is necessary.”

We acknowledge that IBO is a small agency and would not ask IBO to implement a recommendation that was not practicable. As a small agency, IBO purchases equipment infrequently and in small quantities. Therefore, we believe that tagging and inventorying all office equipment with a useful life of more than one year, as prescribed by the DOI Standards, would not unreasonably burden IBO. For example, implementing this recommendation would involve IBO tagging and inventorying only 66 additional pieces of office equipment that IBO acquired during a two-year period—an average of three items per month—and then maintaining that policy going forward. Therefore, we reiterate our recommendation.

LANDMARKS PRESERVATION COMMISSION

Audit Report on the Landmarks Preservation Commission's Issuance of Certificates of No Effect

Audit # MD16-083A

Comptroller's Audit Library #8468

Issued: November 30, 2016

Monetary Effect: None

Introduction

This audit was conducted to determine whether the Landmarks Preservation Commission (LPC) processes Certificates of No Effect (CNEs) and Expedited Certificates of No Effect (XCNEs) in a timely manner. LPC is responsible for protecting the City's architectural, historic and culturally significant buildings and sites by granting them landmark or historic district status, and by regulating the properties and districts that receive such status.

LPC helps preserve the City's landmarked properties by regulating changes to their significant features. Owners or tenants must apply for a permit from LPC before doing certain kinds of work affecting the exterior and/or interior of landmarked properties. When proposed work on a landmarked property requires a Department of Buildings (DOB) permit but does not affect the protected architectural features of a building, the owner or tenant must obtain a CNE permit from LPC prior to getting a work permit from DOB. Certain kinds of interior work at an individual landmark or building within a historic district may qualify for an expedited permit, or XCNE. Unlike some other types of LPC permits, CNEs (and XCNEs) do not require a public hearing before the LPC commissioners or a presentation to the community board.

Applications are entered into LPC's Permit Application Tracking System (PATS) database. LPC's stated goals are to issue a CNE permit within 10 days of receiving a complete application and issue an XCNE permit within two days of receiving the application. According to the September 2015 Mayor's Management Report (MMR), LPC received 13,273 work permit applications in Fiscal Year 2015. The MMR states that during that year, LPC issued 91 percent of the CNEs within 10 days. The MMR further reports that the LPC issued 90 percent of the XCNEs within two days.

Results

The audit found that LPC does not record the actual dates that the certificates are issued. As a result, the degree to which it processed CNEs and XCNEs in a timely manner could not be determined. Although LPC's PATS database has a field called "issue date" that it uses to calculate timeliness, the audit found that the "issue dates" recorded in PATS generally reflect the date on which a certificate was submitted for internal supervisory approval, which is not how the LPC defines the "issue date." Rather, LPC defines "issue date" as the date the final approved permit is printed for mailing. LPC does not maintain any evidence of this date, however. According to LPC officials, the permits are supposed to be mailed within one or two days after being printed. In addition, the audit identified weaknesses in the permit issuance process and serious control weaknesses with LPC's database. It also identified weaknesses in the application review process that LPC uses to designate an application as being complete.

The audit made 16 recommendations, including:

- LPC should ensure that the permit “issue date” field in PATS is updated to reflect the actual date that permits are printed for issuance.
- LPC should document and monitor the dates on which the permits are actually mailed to the applicants to ensure that they are being mailed in a timely manner.
- For MMR-reporting purposes, LPC should measure the length of time from the date it receives a complete application to the date it mails a permit to the applicant when calculating the percentage of permits issued within LPC’s timeliness targets. If it is unable to perform this calculation, LPC should disclose in the MMR that the “issue date” represents the date a permit is printed for mailing, rather than the date it is actually mailed.

In its response, LPC agreed with 14 recommendations, partially agreed with one recommendation and disagreed with the recommendation that it consider collecting a portion of the permit fees from applicants to ensure that a fee is collected for all CNE permits issued.

Audit Follow-up

LPC reported that it has either implemented or is in the process of implementing the 14 recommendations that it agreed with, continues to partially agree with one recommendation, and will not implement the remaining recommendation to consider collecting a portion of the permit fees from applicants, saying that it has no capacity for collecting payment. Based on our finding that DOB did not consistently collect the fee when issuing a permit, in lieu of collecting the fee itself, we suggest that LPC follow up with DOB to ensure that the fees are collected as required.

METROPOLITAN TRANSPORTATION AUTHORITY**Audit Report on the New York City Transit's Efforts to Inspect and Repair Elevators and Escalators**

Audit # MD16-103A

Comptroller's Audit Library #8493

Issued: May 1, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether New York City Transit (NYCT) performs required preventive maintenance services and inspections on its escalators and elevators, and makes associated repairs in a timely manner.

NYCT's Division of Elevators and Escalators (E&E) is responsible for the maintenance, repair, and inspections of the elevators and escalators located throughout the subway system. One of E&E's key objectives is to ensure that subway elevators and escalators (also collectively referred to herein as "machines") are functioning safely and available to the public, and that service outages (i.e., instances when machines are temporarily out of service) are kept to a minimum.

E&E has set an aggregate goal of 96.5 percent availability on average for each of its elevators and 95.2 percent availability on average for each of its escalators.

Each machine (elevator or escalator) requires preventive maintenance (PM) service, the frequency of which is based on the machine's age, condition and usage. There are five levels of PM, with Level 1 being the least extensive and the other levels increasing in complexity up to Level 5. Under certain circumstances, Level 1 or 2 PM service for a machine can be suspended.

In addition to PM service, there are two categories (1 and 5) of ASME (American Society of Mechanical Engineers) inspections, which are conducted by E&E's ASME teams. The PM service assignments and ASME inspections are scheduled in December for the upcoming calendar year.

To address the defects identified during PM service assignments and ASME inspections, supervisors are required to create work orders in the Elevator and Escalator Reporting and Maintenance System (EERMS). In addition, E&E uses a computer system called LiftNet that remotely monitors safety devices in each machine. LiftNet regularly transmits information to EERMS. When a safety mechanism is triggered in a machine, LiftNet creates an "event," which is then recorded in EERMS as an "outage."

Results

The audit found multiple deficiencies in NYCT's preventive maintenance (PM) efforts. Specifically, it found that only one-fifth of the machines in the audit sample received all of their scheduled PM service assignments. In cases where PM service assignments for the sampled machines were cancelled, the basis for cancellation was either not supported or not in compliance with E&E's policy. In addition, maintainers and supervisors did not complete nearly a quarter of the sampled checklists for PM service assignments and ASME inspections as required, and required work orders were not created on average in 1 out of 4 instances where new defects were noted during PM service assignments and ASME inspections. Further, E&E does not have a system for tracking when or whether the defects that result in the creation of work orders are repaired.

The audit made 13 recommendations, including that E&E should set realistic internal targets for PM service assignments, taking into consideration the needs and safety of the public, as well as available staffing levels, in order to track performance; require a review of suspension memos to ensure that suspensions of PM service assignments are adequately justified and that the information provided is accurate and matches the information in EERMS; institute a procedure to ensure that work orders are created for all identified defects and that supervisors record work order numbers on checklists for all listed defects, establish a procedure that ensures that supervisors record in EERMS the date each defect was addressed, as well as the specific repairs performed, and ensure that the new Enterprise Asset Management system has the ability to track information by individual defects—including their associated codes and the date each defect is corrected—and to generate reports on defects.

In its response, NYCT did not acknowledge the audit's findings nor directly address the audit's recommendations. However, portions of the response appear to indicate that the agency agrees with 3 of the 13 recommendations.

Audit Follow-up

NYCT reported that 12 recommendations have been implemented, but disagrees with and will not implement the remaining recommendation to prevent PM service assignments from being suspended if a machine is failing to meet availability goals at the time the machine is scheduled for PM service, arguing that implementing this recommendation could mean scheduling PM service for machines where major work was recently done or that are in process of undergoing major repairs. This recommendation is not intended to supersede NYCT's policy, which as stated above allows for the suspension of PM service when major work was recently done on a machine. When E&E fails to perform scheduled PM assignments, defects in elevators and escalators may not be identified and addressed in a timely manner, increasing the risk of machine breakdowns, inconvenience to passengers, especially the elderly and disabled, and a risk to public safety.

METROPOLITAN TRANSPORTATION AUTHORITY**Letter Audit Report on Phase III of the Wireless Voice and Data Services in New York City's Subway System as Provided by Transit Wireless**

Audit # SZ17-095AL

Comptroller's Audit Library #8473

Issued: December 22, 2016

Monetary Effect: None

Introduction

This audit was conducted to determine whether the wireless voice and data communication system installed by Transit Wireless (TW) within certain New York City subway stations (including platforms, mezzanines, and various points within public access passageways) operates effectively. This audit was the third in a series of audits of the ongoing installation of cellular and wireless services in the New York City subway system.

In 2007, following a request for proposals process, the Metropolitan Transportation Authority's (MTA) Board awarded a license agreement to TW that granted an exclusive license to provide commercial cellular/PCS and Wi-Fi service in 277 underground subway stations. Under the agreement, TW acts as a neutral host, constructing the distributed antenna system within the stations (excluding the tunnels between stations) and sub-licenses rights to use that system to cellular carriers, Wi-Fi providers, and other network users.

TW installs equipment and antennas at each underground station to provide cellular and Wi-Fi coverage throughout public areas. The in-station equipment and antennas are linked by fiber optic cables to TW trunk fiber optic cables, which run through the streets and connect back to a base station hotel (hub) that houses the head-end equipment for TW, the cellular carriers, Wi-Fi providers, and New York City Transit (NYCT).

In addition, in August 2016, MTA, NYCT and TW joined with Penguin Random House to begin *Subway Reads*, a service that allows subway riders access to five free full-length e-short stories and excerpts from a minimum of 175 full-length e-books from the publisher in categories such as fiction, non-fiction, sci-fi and fantasy, and young adults and children for periods of 10, 20, or 30 minutes each, as chosen by the rider. The subway rider also has the ability to purchase an e-book in its entirety through this service.

TW installed the wireless network in 47 underground subway stations in Manhattan as part of Phase I (previous Audit Number SZ15-062AL), including major station complexes such as Times Square and Grand Central, 29 stations in Queens as part of Phase II (previous Audit Number SZ16-086AL), and more recently in 38 additional Manhattan stations as part of Phase III (the subject of this audit). Phase IV is underway and includes stations located in Manhattan and the Bronx. TW is contractually required to have all 277 underground stations in New York City in service by the end of 2017.

Results

The audit found that the wireless voice and data communication system currently installed by TW within the 38 Phase III subway stations we tested (including platforms, mezzanines and various points within public access passageways) operates as intended. In addition, on October 14, 2016, October 18, 2016, October 19, 2016, October 20, 2016, October 28, 2016, and November 5, 2016, auditors revisited the 76 stations tested in Phases I and II and found that they remain operational and that there was an immediate Wi-Fi connection in each such station. Further, auditors were able to download e-books from the Penguin Random House site at the appropriate stations. The audit recommends that the MTA, NYCT and TW continue their current plan to provide voice and data service to the remaining 163 underground New York City subway stations.

In its response, NYCT stated, “MTA New York City Transit acknowledges and accepts the conclusions of the attached audits conducted by the New York City Comptroller. The audits found the wireless communication system installed in 150 stations in Phases I to IV is working as intended. We welcome the validation of the system by a third party and our partnership with the comptroller in bringing this service to our customers. The agency is on schedule to bring wireless communication to the remaining 132 stations including (Second Avenue Stations and 34th/Hudson Yards) by the end of December 2016.”

METROPOLITAN TRANSPORTATION AUTHORITY**Letter Audit Report on Phase IV of the Wireless Voice and Data Services in New York City's Subway System as Provided by Transit Wireless**

Audit # SZ17-097AL

Comptroller's Audit Library #8474

Issued: December 22, 2016

Monetary Effect: None

Introduction

This audit was conducted to determine whether the wireless voice and data communication system installed by Transit Wireless (TW) within certain New York City subway stations (including platforms, mezzanines, and various points within public access passageways) operates effectively. The audit was the fourth in a series of audits of the ongoing installation of cellular and wireless services in the New York City subway system.

In 2007, following a request for proposals process, the Metropolitan Transportation Authority's (MTA) Board awarded a license agreement to TW that granted an exclusive license to provide commercial cellular/PCS and Wi-Fi service in 277 underground subway stations. Under the agreement, TW acts as a neutral host, constructing the distributed antenna system within the stations (excluding the tunnels between stations) and sub-licenses rights to use that system to cellular carriers, Wi-Fi providers, and other network users.

TW installs equipment and antennas at each underground station to provide cellular and Wi-Fi coverage throughout public areas. The in-station equipment and antennas are linked by fiber optic cables to TW trunk fiber optic cables, which run through the streets and connect back to a base station hotel (hub) that houses the head-end equipment for TW, the cellular carriers, Wi-Fi providers, and New York City Transit (NYCT).

In addition, in August 2016, MTA, NYCT and TW joined with Penguin Random House to begin *Subway Reads*, a service that allows subway riders access to five free full-length e-short stories and excerpts from a minimum of 175 full-length e-books from the publisher in categories such as fiction, non-fiction, sci-fi and fantasy, and young adults and children for periods of 10, 20, or 30 minutes each, as chosen by the rider. The subway rider also has the ability to purchase an e-book in its entirety through this service.

TW installed the wireless network in 47 underground subway stations in Manhattan as part of Phase I (previous Audit Number SZ15-062AL), including major station complexes such as Times Square and Grand Central; 29 stations in Queens as part of Phase II (previous Audit Number SZ16-086AL); 38 additional stations in Manhattan, including the Fulton Street Terminal Center, as part of Phase III (previous Audit Number SZ17-095AL); and more recently in 36 additional Manhattan and Bronx stations as part of Phase IV (the subject of this audit). Phase V is underway and includes stations located in lower Manhattan, Queens and Brooklyn. TW is contractually required to have all 277 underground stations in New York City in service by the end of 2017.

Results

The audit found that the wireless voice and data communication system currently installed by TW within the 36 Phase IV subway stations we tested (including platforms, mezzanines, and various points within public access passageways) operates as intended. In addition, on October 14, 2016, October 18, 2016, October 19, 2016, October 20, 2016, October 28, 2016, November 5, 2016, and November 6, 2016, auditors revisited the 76 stations tested in Phases I and II and concluded testing for the 38 Phase III stations. During this testing we found the wireless network to still be operational and were able to establish an immediate Wi-Fi connection. Further, auditors were able to download e-books from the Penguin Random House site at the appropriate stations. The audit recommends that the MTA, NYCT and TW continue their current plan to provide voice and data service to the remaining 127 underground New York City subway stations.

In its response, NYCT stated, "MTA New York City Transit acknowledges and accepts the conclusions of the attached audits conducted by the New York City Comptroller. The audits found the wireless communication system installed in 150 stations in Phases I to IV is working as intended. We welcome the validation of the system by a third party and our partnership with the comptroller in bringing this service to our customers. The agency is on schedule to bring wireless communication to the remaining 132 stations including (Second Avenue Stations and 34th/Hudson Yards) by the end of December 2016."

MULTI-AGENCY

Audit Report on the Oversight of the Department of Citywide Administrative Services and the Department of Sanitation over New York City's Contract with Genuine Parts Company

Audit # MD16-122A

Comptroller's Audit Library #8511

Issued: June 23, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the Department of Citywide Administrative Services (DCAS) has adequate oversight of the contract agreement between Genuine Parts Company (GPC) and New York City (City) and whether the Department of Sanitation (DSNY) has adequate oversight over and fulfills its responsibilities regarding inventory received from GPC.

On January 9, 2013, the City entered into a five-year requirements contract with GPC, through its subsidiary National Auto Parts Association (NAPA) to operate on-site storerooms, supply parts for light/medium- and heavy-duty vehicles and provide inventory management services for six City agencies, including DSNY. In May 2013, GPC/NAPA established a storeroom, staffed by a GPC/NAPA manager and counter person, at DSNY's 5th floor Central Repair Shop in Woodside, Queens to provide parts for light-duty vehicles, such as passenger cars and pickup trucks.

According to its contract, parts provided by GPC/NAPA to the City are primarily to be grouped into three defined categories:

- A-movers, which are parts issued on a weekly basis;
- B-movers, which are issued on a biweekly to quarterly basis; and
- C-movers, which are issued on a quarterly to yearly basis.

Under the contract, GPC/NAPA is required to deliver on demand (within 10 minutes) no less than:

- 100 percent of the A-movers requested;
- 90 percent of the B-movers requested; and
- 80 percent of the C-movers requested.

Results

The audit found that DCAS needs to strengthen its monitoring of the timeliness of GPC/NAPA delivery of requested items. The audit also found that GPC/NAPA's delivery times consistently fell short of its contractual performance obligations and DCAS does not ensure that parts are adequately categorized in accordance with the contract. The audit found limited evidence to show that DCAS audited GPC/NAPA invoices to ensure that the City paid no more than the jobber price plus the allowed mark-up for parts. In addition, the audit found that DCAS granted GPC/NAPA inappropriate access to DSNY's inventory information in M5, and that parts which DSNY received from GPC/NAPA were not consistently recorded in M5, as required. Finally, the audit determined that DSNY generally has adequate oversight over and fulfills its responsibilities related to GPC/NAPA's performance of the contract.

The audit made 14 recommendations, 10 to DCAS and 4 to DSNY, including that DCAS should:

- Require GPC/NAPA to prepare and submit reports based on delivery times in accordance with the criteria established in the contract.
- Ensure that all parts are appropriately classified by GPC/NAPA and DSNY, and that periodic reclassifications based on usage are performed.
- Conduct periodic audits of GPC jobber invoices to ensure that parts are being billed at GPC's dealer price, plus the fixed markup.
- Limit access of GPC/NAPA personnel to M5 for only required functions, and remove GPC/NAPA's access to view DSNY's in-house inventory.
- Thoroughly investigate why parts issued against work orders are not appearing in M5 and work with GPC/NAPA to address this issue.

DCAS generally agreed with the 10 recommendations directed to DCAS. However, the agency disagreed with a number of the audit's findings. DSNY generally agreed with the findings and the four recommendations directed to DSNY.

Audit Follow-up

DCAS reported that it has implemented all of the recommendations addressed to DCAS. DSNY reported that two recommendations have been implemented and the remaining two recommendations are in process.

MULTI-AGENCY

Audit Report on the Educational Services Offered by the Departments of Correction and Education to Young Inmates at Rikers Island

Audit # ME16-066A

Comptroller's Audit Library #8483

Issued: March 28, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the Department of Correction (DOC) and the Department of Education (DOE) offered and provided educational services to young inmates at the Rikers Island (Rikers) facility, particularly to those with special educational needs. The audit scope was Fiscal Year 2015 (July 1, 2014, through June 30, 2015).

DOC provides for the daily custody, control and care of persons accused of crimes and persons convicted and sentenced to one year or less of jail time in New York City. People incarcerated at Rikers can be as young as 16. Under New York State regulations, DOC must advise eligible inmates 16-21 years of age, within 10 days of their admission to Rikers, of the availability of educational services. In addition, according to a DOC Directive, new admission inmates under 22 years old are required to complete and sign a Rikers Island Schools Request for Educational Services form. Moreover, under New York State regulations, correctional facility staff must submit requests for educational services to the school district by the end of the next school day after the inmates complete the form.

DOE provides educational services on Rikers to eligible inmates through its East River Academy (ERA). According to State regulations, instruction for incarcerated students must begin no later than 11 school days after the school district receives a request for educational services. In addition, a Special Education Plan (SEP) must be developed and implemented within 30 school days of a student with special educational needs commencing participation in a DOE school or program. The SEP outlines the special services to be provided to a student with special educational needs.

Results

The audit found that all 16-17 year olds admitted to Rikers during Fiscal Year 2015 were provided mandated educational services. However, DOC provided insufficient evidence to demonstrate that inmates 18-21 years of age admitted to Rikers were consistently informed of the opportunity to request and receive educational services. DOC was unable to provide the auditors with signed Request for Educational Services forms for 63 (68 percent) of the 92 18-21 year-old inmates in the audit sample. DOC also does not maintain a log or any other record showing when it provides signed Request for Educational Services forms to DOE. As a result, DOC has no assurance that its staff members are informing DOE of inmates' requests for educational services by the end of the next school day, as required.

DOE also failed to provide evidence demonstrating that inmates 18-21 years of age were consistently provided educational services by the 11th day following its receipt of requests for educational services. DOE neither date-stamps the Request for Educational Services forms it receives from DOC, nor does it maintain a log of their receipt. In addition, DOE provided no evidence that it prepared SEPs for 9 (36 percent) of a sample of 25 enrolled inmates with special educational needs during Fiscal Year 2015. Moreover, DOE did not consistently complete those SEPs that were prepared within 30 school days of the students' enrollment in ERA, as required.

Of the remaining 16 students in the sample, the SEPs for 3 were prepared more than 30 school days after the students began receiving educational services at ERA.

As a result, auditors could not be assured that all of the eligible individuals were advised of the opportunity to receive educational services or that all who accepted such services received the services in a timely manner, or at all. The audit made four recommendations to DOC, including that DOC:

- Ensure that all inmates 18-21 years of age complete the Request for Educational Services form.
- Maintain completed Request for Educational Services forms to facilitate reviews of detention center compliance in this area.
- Maintain a log indicating when it provides DOE with completed Request for Educational Services forms.

The audit also made five recommendations to DOE, including that DOE:

- Record the dates it receives Requests for Educational Services forms from DOC, prepare SEPs for all students with special educational needs on a timely basis.
- Prepare written policies and procedures detailing the steps to be taken concerning the receipt of requests for educational services.

In its responses, DOC agreed with three recommendations directed to DOC and partially agreed with one, while DOE agreed with five recommendations directed to DOE.

Audit Follow-up

DOC reported that all of the audit recommendations are in the process of being implemented. DOE reported that all of the audit recommendations have either been implemented or are in the process of being implemented.

MULTI-AGENCY

Audit Report on the City's Oversight over Privately Owned Public Spaces

Audit # SR16-102A

Comptroller's Audit Library #8488

Issued: April 18, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the New York City Department of Buildings (DOB) and the New York City Department of City Planning (DCP) adequately oversee Privately Owned Public Space (POPS) agreements with building developers and owners.

POPS are outdoor or indoor spaces, open for public use that are built and maintained by the developers and owners of private buildings. POPS are created by building developers in exchange for New York City allowing them to construct buildings at greater heights and densities (and as a result, with greater floor area) than would otherwise be allowed by zoning regulations. POPS may also be required to include designated amenities within or outside their buildings. Currently property owners are benefiting financially from approximately 23 million square feet of additional floor area in their buildings in exchange for providing POPS at 333 locations in New York City.

Two City agencies oversee developers' and owners' compliance with POPS agreements. DOB enforces the City's Building Code and Zoning Resolution, and it is also responsible for issuing violation notices to owners when POPS are found to be out of compliance with applicable agreements. These violations carry penalties of \$4,000, and in the event that the building owner defaults on a notice of violation the penalty increases to \$10,000. DCP oversees land use in New York City and certifies POPS' compliance with zoning regulations, prior to the developer obtaining a foundation permit, and conducts periodic compliance reviews for POPS created after 2007.

Results

The audit found that the City is not adequately overseeing POPS agreements. Auditors inspected all 333 of the POPS locations and found that more than half (182 of the 333) failed to provide required public amenities. In some cases, the required amenities simply did not exist; in others, they were non-functioning. Auditors found cases where the general public was excluded from POPS because restaurants were allowed to use supposedly public spaces for restaurant seating and had cordoned off portions of the POPS to restrict public use. There were also cases where public access was otherwise impermissibly limited or denied entirely. In some instances, these violations had existed for years without any discernable enforcement actions taken by the City.

The audit made 11 recommendations, nine to DOB and two to City Planning, including that DOB should:

- Create an accurate database of all the POPS that includes the type, size, hours of operations, and the specific amenities required.
- Ensure that DOB's Buildings Information System identifies all POPS locations.
- Require all POPS to be inspected by DOB at sufficient intervals, to ensure effective enforcement of the Zoning Resolution.
- Inspect all 333 POPS locations to ensure that all POPS are still in existence, offer full public access and provide required amenities.

- Schedule inspections of outdoor POPS during warmer months when certain types of noncompliance can be observed, such as use of a POPS for restaurant seating.

The audit also recommended that DCP should:

- Develop an advertising campaign to inform the public about all POPS locations and the required amenities required to be provided at each.
- Consider posting street signs identifying a space as a POPS, and creating a public website that identifies every POPS location and its required amenities.

In its response, DOB did not dispute the report's findings and stated that "[w]e...will use [the audit findings] as a guide to further improve our policies and procedures." DOB described steps it has taken to implement six of the nine recommendations. However, DOB stated that: (1) it is unwilling to change its inspection protocol, in which it conducts inspections only in response to complaints, to a more pro-active protocol; and (2) it will not now inspect all 333 POPS locations to verify that they exist, contain all required amenities, and provide required access; and (3) it will not schedule inspections to correspond to appropriate seasons. DOB contends that its current practices are sufficient because they "apply to all [DOB] inspectorial units" and "are consistent Citywide." However, that response disregards the evidence presented by this audit that the agency fails to ensure that POPS provide the open space and public amenities required by law.

Audit Follow-up

DOB reported that six recommendations have been or are being implemented, but continues to dispute recommendations concerning inspecting POPS locations. DOB's refusal to change its policies and procedures for inspecting POPS locations will increase the likelihood that the public will continue to be deprived of full access to POPS locations. We found full or partial non-compliance with applicable requirements (access or amenities or both) in more than half of the POPS. In some instances, these violations had existed for years without any apparent enforcement actions taken by the City.

DCP reported that both recommendations addressed to DCP have either been implemented or is in the process of being implemented.

DEPARTMENT OF PARKS AND RECREATION

Audit Report on the Department of Parks and Recreation's Monitoring of Its Employees Who Use E-ZPasses and Parking Permits While Driving City-Owned or Personally-Owned Vehicles on City Business

Audit # SZ17-061A

Comptroller's Audit Library #8504

Issued: June 6, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the New York City Department of Parks and Recreation (Parks) properly monitors its employees who use City-provided E-ZPasses and parking permits while driving City-owned or personally-owned vehicles on City business, in accordance with applicable rules and regulations.

Parks maintains a 29,900-acre municipal park system, and its fleet consists of 2,943 vehicles, including 156 forestry vehicles, 108 packers, and 92 beach terrain vehicles. Parks has authorized 5,303 employees to use agency vehicles and E-ZPasses issued by the Metropolitan Transportation Authority (MTA) for City business. In Fiscal Year 2016, Parks spent approximately \$1.2 million for E-ZPass usage.

Results

The audit found that, during the audit period (January 1, 2014 through March 30, 2017), Parks properly monitored the use of E-ZPasses by its authorized drivers in accordance with applicable rules and regulations. However, the audit found that Parks does not properly enforce the City's requirements for issuing agency parking permits.

The audit made seven recommendations:

- Parks should continue to properly monitor, track and recoup its E-ZPass usage, as required by the City of New York's *City Vehicle Driver Handbook*.
- Parks should ensure that all agency-issued parking permit requests are filled out properly, with the specific agency business use.
- Parks employees who were previously issued agency-issued parking permits should resubmit their requests to comply with the policy.
- Parks should continue to ensure that any vehicles on the National Highway Traffic Safety Administration (NHTSA) recall list are not used by its employees.
- Parks should continue to ensure that all of its vehicles on the NHTSA recall list are repaired or returned to the manufacturer for repairs, as required by its warranties.
- Parks should continue to confirm that its vehicle dealers and manufacturers regularly contact NHTSA to inform the agency of repairs or recalls that have been cleared, so the database can be updated.
- Parks should continue to retire vehicles that pose a safety hazard to its employees.

In its written response, Parks generally agreed with the audit's findings and stated, "We are pleased that your Report concluded that Parks properly monitors the use of E-ZPasses by our authorized drivers in accordance with applicable rules and regulations; that Parks maintains the logs or trip tickets detailing agency E-ZPass usage as required by the City's and Parks' policies and procedures; that Parks keeps accurate track of our E-ZPass tags; and that Parks was not using any vehicles on the National Highway Traffic Safety Administration (NHTSA) recall list. We also acknowledge your finding regarding the issuance of agency parking permits and will take steps to address this issue. . . . Finally, Parks wishes to thank you and your audit staff for the time and effort devoted to completing this Report."

Audit Follow-up

Parks reported that it has either implemented or is in the process of implementing six recommendations. Regarding the recommendation for employees who were previously issued agency-issued parking permits should resubmit their request, Parks stated that "moving forward," it is "working to develop standard guidelines" over the issuance of parking permits. However, Parks will not require "employees who were previously issued parking permits to resubmit their request." We continue to recommend that Parks should require its employees that were improperly issued 1,586 of the 1,652 parking permits should resubmit their request to comply with City policy.

DEPARTMENT OF PARKS AND RECREATION**Final Letter Audit Report on the Department of Parks and Recreation's Monitoring of Its Employees Who Drive City-Owned or Personally-Owned Vehicles on City Business**

Audit # SZ17-062AL

Comptroller's Audit Library #8486

Issued: March 30, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the Department of Parks and Recreation (Parks or the Department) is effectively monitoring employees who drive City-owned or personally-owned vehicles on City business. The audit found that Parks properly monitors the driving behavior of its authorized drivers. This finding, however, does not include a review of Parks' monitoring and controls over its drivers' vehicle usage, which will be discussed in a separate report.

New York City requires that employees who operate City-owned or personally-owned vehicles to conduct City business must exercise reasonable care when driving them. This requirement is outlined in the City of New York's "City Vehicle Driver Handbook" (Handbook). Agency heads, working through their Agency Transportation Coordinators (ATCs), must ensure that all employees who are assigned a City-owned vehicle, either for full-time use or temporary use, are authorized by their respective agencies to drive. The ATC must also ensure that each driver has a valid license. An employee's driver's license must be issued by New York State (NYS) unless the employee is exempt from City residency requirements. In that case, the authorized driver must have a valid license from the state where he or she resides, and in all cases the license must have the appropriate classification for the vehicle which an employee will be driving on City business. The Handbook further specifies that City agencies must establish programs that promote driving safety along with proper training in the use of motor vehicles.

In January 2014, the City launched the Vision Zero Action Plan (Plan), an initiative to reduce driver, bicyclist and pedestrian injuries and fatalities in New York City. The Plan detailed steps to improve street safety, including lowering the speed limit from 30 miles per hour to 25 miles per hour, increasing the penalties for driving with a suspended license, and leaving the scene of an accident. The Plan also proposed increasing the number of red light cameras and installing additional traffic devices to control speeding. With respect to City employees, the Plan implemented a City-wide defensive driving program and added safety-related equipment and devices to City vehicles.

Results

The audit found that Parks effectively monitors the driving behavior of its authorized drivers. The Department subscribes to the DMV's License Event Notification System (LENS) program, receives its updates and in a timely manner revokes the privileges of drivers who have suspended or revoked licenses, as prescribed by the applicable regulations. Parks also ensures that employees who must maintain a driver's license for employment comply with that requirement. The Department evaluates each driver and determines if he or she can properly drive a City vehicle. Parks takes appropriate disciplinary actions—including termination—in the cases of those employees who did not maintain an appropriate license. The Department also takes steps to ensure that employees who do not live within New York State adhere to state motor vehicle regulations. In addition, Parks ensures that its licensed drivers have appropriate endorsements or classifications to drive their assigned vehicles. Moreover, Parks provides its employees with a required safety awareness program.

In its written response, Parks agreed with the report's findings and stated, "We are pleased that your report found that Parks effectively monitors the driving behavior of its authorized drivers. The agency works diligently to ensure safe driving behavior among our employees..."

DEPARTMENT OF PROBATION**Final Letter Report on the New York City Department of Probation's Compliance with Local Law 25 Regarding Translation of Agency Website**

Audit # SZ17-129AL

Comptroller's Audit Library #8503

Issued: May 30, 2017

Monetary Effect: None

Introduction

The audit determined whether the Department of Probation (DOP) complied with Local Law 25, which governs the translation of websites of New York City agencies. Local Law 25 is intended to make City agencies, and ultimately the City as a whole, more accessible to foreign-born residents whose primary language is not English. This audit of DOP was one in a series of audits we are conducting of the City's compliance with Local Law 25.

New York City, with a population of more than 8.5 million people, is home to one of the most diverse populations in the world, with more than 3.2 million foreign-born residents from more than 200 countries. According to the New York City Department of City Planning, nearly one-half of all New Yorkers speak a language other than English at home, and almost 25 percent of City residents age five and over, or 1.8 million persons, are not proficient in English. For residents with limited English proficiency, interacting with City government and receiving access to City services can be a challenge.

Most City agencies have a significant presence on the internet and rely on agency websites to both provide information and to interact with the public. Accordingly, in 2016 Mayor de Blasio signed Local Law 25, amending the City's Administrative Code in relation to citizens' ability to access translation of City websites. Local Law 25 requires that every website maintained by or on behalf of a City agency include a translation service enabling users to view the text of that website, wherever practicable, in languages other than English. It also requires that the translation service be identifiable in a manner that is comprehensible to speakers of the seven most commonly spoken languages in the city. As determined by the Department of City Planning, the seven most commonly spoken languages in New York City amongst residents with limited English proficiency are Spanish, Chinese (includes Cantonese, Mandarin and Formosan), Russian, Bengali, French Creole (also called Haitian Creole), Korean and Arabic.

Results

The audit found that DOP generally complies with Local Law 25. DOP's website, found at <http://www.nyc.gov/html/prob/html/home/home.shtml>, has a translation feature for viewing text and essential information in various languages, including the top seven noted languages spoken by residents with limited English proficiency.

DOP's website, however, does not provide essential documents online. This is because the department is a public safety agency that does not provide services to the general public. Its clients are individuals who have come into contact with the law and are sentenced by the courts to probation. Because DOP's essential documents are legal in nature, they cannot be routinely translated by the department. However, when forms are identified by executive staff as critical for probation officers interacting with clients, they are translated internally. DOP identifies the primary languages of its clients and provides interpretation services at its locations.

The audit recommends that DOP continue to maintain its compliance with Local Law 25 to ensure that it effectively meets the needs of residents with limited English proficiency when accessing City services online.

In its response, DOP agreed with the report's findings, and its Commissioner stated, "I am very pleased to learn that DOP generally complies with Local Law 25 and that it has made substantial progress in providing meaningful language access through our website."

NEW YORK COUNTY PUBLIC ADMINISTRATOR

Audit Report of the New York County Public Administrator's Estate Management Practices

Audit # MG17-057A

Comptroller's Audit Library #8513

Issued: June 23, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the Office of the New York County Public Administrator (NYCPA) has adequate controls to ensure that it properly executed its fiduciary responsibilities, including safeguarding estate assets, accurately reporting estate revenues and expenses, and managing estate activities in accordance with Article 11 of the New York State Surrogate's Court Procedure Act (SCPA) and other applicable State and City regulations.

The NYCPA administers the estates of decedents in the County of New York. Public Administrators (PAs) are responsible for administering the estates of individuals who died intestate—without a will—and left property in the county, when no other individual, such as an eligible family member, is available and willing to administer the decedent's estate. The general functions of PAs are governed by Article 11 of SCPA. In their official capacity, PAs make funeral arrangements, collect debts, pay creditors, manage the decedents' assets, file tax returns on behalf of the estate, and search for heirs. The NYCPA uses the CompuTrust software system to administer estates under its jurisdiction.

The Fiscal Year 2016 City Comptroller's Comprehensive Annual Financial Report (CAFR) reported that the NYCPA collected \$995,570 in revenues on behalf of the City and received \$1,599,926 in appropriations from the City, consisting of \$673,493 for Personal Services (PS) and \$926,433 for Other Than Personal Services (OTPS) expenditures.

Results

The audit found that the NYCPA does not have adequate controls to ensure that it properly executes its fiduciary responsibilities for safeguarding estate assets, reporting estate revenues and expenses, and managing estate activities, in accordance with Article 11 of SCPA and applicable State and City rules. Specifically, it has not implemented sufficient controls over its physical case files, its centralized record-keeping system, and its inventory records to ensure their accessibility, accuracy, and integrity. As a result, the NYCPA was unable to readily locate 23 percent of the 40 estates' files sampled by auditors. CompuTrust did not accurately reflect the status of nearly one-fifth of the estates recorded in the database, and the NYCPA's inventory records did not accurately reflect the physical inventory of items in the NYCPA's custody for nearly half of the sampled estates. The audit also found that the NYCPA did not ensure that an audit by an independent Certified Public Accountant was conducted in a timely manner, and that bank account reconciliations and financial statements were adequately reviewed.

Finally, the audit found deficiencies in the NYCPA's administration of 11 of 16 estates selected for an in-depth review, including inadequate documentation of disbursements, estate files missing essential documents, and CompuTrust records that did not accurately reflect the status of several estates.

The audit makes 11 recommendations, including that the NYCPA should:

- Develop and implement a control system that allows NYCPA management to effectively identify and promptly account for all estates under its administration.
- Maintain a continuously-updated master list of all estates under its administration, with information including each decedent's name, the NYCPA's designated estate number, and the account control number generated by CompuTrust.
- Establish controls to ensure that all of the required documents are maintained within each estate's files and that supporting documents are obtained and maintained in those files when disbursements are made on behalf of an estate.
- Ensure that all estate data in CompuTrust is continuously updated so that it is always complete and accurate, and the status of each estate in CompuTrust is regularly and independently reviewed.

In its response, the NYCPA generally agreed with 9 of the audit's 11 recommendations. The NYCPA did not address recommendations that it maintain a master list of all estates under its administration and that it maintain a complete inventory of office equipment.

Audit Follow-up

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

OFFICE OF THE PUBLIC ADVOCATE

Audit Report on the Public Advocate Office's Controls over Its Inventory of Computers and Computer-Related Equipment

Audit # MD16-099A

Comptroller's Audit Library #8469

Issued: December 7, 2016

Monetary Effect: None

Introduction

This audit was conducted to determine whether the Office of the Public Advocate (PAO) has adequate controls over its inventory of computer and computer-related equipment.

The PAO, headed by a public official elected every four years in a City-wide election, represents the consumers of City services, reviews and investigates complaints about City services, and assesses whether agencies are responsive to the public. It also recommends improvements in agency programs and complaint-handling procedures, and serves as an intermediary for individuals who have encountered difficulties in obtaining assistance from City agencies. The PAO also monitors the effectiveness of the City's public information and education efforts and the compliance of City officers and agencies with the New York City Charter.

The PAO is comprised of six units, the largest of which is the Outreach Unit. Computers and computer-related equipment (including mobile devices) play a vital role in helping PAO staff achieve the agency's mission. The PAO's Information Technology (IT) Coordinator maintains lists of all of the PAO computers and computer-related equipment and mobile devices on two excel spreadsheets that included 565 computer equipment items and 21 mobile devices as of January 19, 2016.

Results

The audit found that the PAO did not have adequate controls over its computer and computer-related equipment. Although auditors were able to locate all sampled equipment, the Master Inventory list was not accurate and did not include all equipment in the custody of the PAO. In addition, although inventory tags were found on many of the items examined, auditors identified numerous missing tag numbers for which the PAO could not account. In the absence of an accounting or verifiable explanation for why those numbers were missing, auditors could not ascertain whether the tag numbers had not been assigned, or if they had been assigned to equipment that could not be located. The audit also found several items that did not have tag numbers affixed to them, or were listed on the Master Inventory list without tag numbers. In addition, equipment serial numbers were not tracked, obsolete items were not relinquished, and there was an inadequate segregation of duties over the purchasing and management of computer equipment.

Further, in addition to the inventory deficiencies described above, the audit found that the PAO does not adequately monitor the use of its mobile devices and does not comply with the City's purchasing procedures on a consistent basis.

The audit made 10 recommendations, including:

- The PAO should strengthen its inventory management controls to ensure that all equipment is properly accounted for, assigned to the correct employee, tagged and secured.
- The PAO should ensure that equipment serial numbers for all computer and computer-related equipment are tracked and recorded on the Master Inventory list.
- The PAO should comply with the Office of Surplus Activities'³ relinquishment policy and ensure that all unused computer and computer-related equipment presently in storage is relinquished in accordance with the requirements.
- The PAO should ensure that key responsibilities for the management of the inventory of computer and computer-related equipment are adequately segregated or institute compensating controls.
- The PAO should improve its monitoring of mobile device usage to ensure that phone lines are activated and paid for only when there is a need, and follow procedures to promptly deactivate spare phones not reassigned within 30 days.

In its response the PAO generally agreed with nine recommendations, but disagreed with the recommendation that it relinquish all unused computer and computer-related equipment presently in storage, in accordance with City requirements.

Audit Follow-up

The PAO reported that it has implemented nine recommendations. The PAO partially implemented the recommendation to relinquish unused equipment, stating that it relinquished items no longer needed, but retains more used equipment than most due to its limited budget.

³ The Office of Surplus Activities is responsible for the timely and proper disposition of surplus City assets relinquished from the various City agencies.

DEPARTMENT OF SANITATION

Audit Report on the Department of Sanitation's Monitoring of Its Employees Who Use E-ZPasses and Parking Permits While Driving City-Owned or Personally-Owned Vehicles on City Business

Audit # SZ16-075A

Comptroller's Audit Library #8481

Issued: February 27, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the New York City Department of Sanitation (DSNY) properly monitors its employees who use City-provided E-ZPasses and parking permits while driving City-owned or personally-owned vehicles on City business, in accordance with applicable rules and regulations.

DSNY is responsible for keeping New York City healthy, safe and clean by collecting, recycling and disposing of waste, cleaning streets and vacant lots, and clearing snow and ice. It operates 59 district garages and manages a fleet of over 2,200 sanitation trucks, 450 mechanical brooms and 690 small and large salt spreaders. As of June 30, 2016, DSNY had 10,222 employees, over 8,000 of whom were uniformed sanitation workers and supervisors, and as of September 2016, 9,113 employees were authorized to use agency vehicles and E-ZPasses issued by the Metropolitan Transportation Authority (MTA) for City business. In Fiscal Year 2016, DSNY spent approximately \$5 million for E-ZPass usage.

Results

The audit found that DSNY did not properly monitor the use of E-ZPasses by its authorized drivers in accordance with applicable rules and regulations. Specifically, the audit found that DSNY did not maintain either a log or trip tickets detailing agency E-ZPass usage—both of which are required by the City's and DSNY's policies and procedures—and that DSNY did not keep accurate track of its E-ZPass tags. In addition, the audit found that DSNY is using vehicles on the National Highway Traffic Safety Administration recall list.

The audit made 14 recommendations that included:

- DSNY should maintain both logs and trip tickets detailing E-ZPass usage as required by the City of New York's *City Vehicle Driver Handbook* (the Handbook).
- DSNY should ensure that its employees are properly completing trip tickets that record their vehicle and E-ZPass usage as required by the Handbook.
- DSNY should require its Agency Transportation Coordinator (ATC) to review and monitor trip tickets submitted by the employees to ensure that they are properly completed and can be used for overseeing vehicle and E-ZPass usage as required by the Handbook.
- DSNY should ensure employees fully reimburse DSNY for personal use of a DSNY E-ZPass, including charges for commuting and other non-business purposes.
- DSNY should ensure all current E-ZPass tags are properly documented and accounted for and clearly document its issuance of replacement E-ZPass tags.

- DSNY should ensure that all deactivated E-ZPasses are collected and returned to the MTA, and determine if any deactivated E-ZPasses were previously used for non-business purposes, and recoup the cost of each from past personal use.
- DSNY should reconcile all E-ZPass statements to its list of E-ZPasses. E-ZPass tags that are not current should be immediately deactivated and returned to MTA.
- DSNY should immediately contact the vehicles' manufacturers that have recalled DSNY vehicles and determine what steps should be taken to repair or, if necessary, return the vehicles to the manufacturer for repairs.
- DSNY should retire vehicles that pose a safety hazard to its employees.

In its written response, DSNY agreed with the audit's findings and stated, "Thank you for the opportunity to review and comment on the five (5) major findings and fourteen (14) recommendations contained in your recent audit. . . . We request that you take our comments into consideration and reflect them in the final audit report." DSNY officials further stated, "The audit report identified weaknesses that need to be addressed to prevent misuse and risk of loss to the agency." They said they had taken steps to improve the inventory system and to incorporate the auditors' recommendations where feasible.

Audit Follow-up

DSNY reported that all of the audit recommendations have been implemented.

OFFICE OF THE SPECIAL NARCOTICS PROSECUTOR

Audit Report on the Office of the Special Narcotics Prosecutor's Controls over Its Computers and Computer-Related Equipment

Audit # SR17-090A

Comptroller's Audit Library #8485

Issued: March 31, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the Office of the Special Narcotics Prosecutor (SNP) is complying with inventory procedures set forth in the Department of Investigation's (DOI's) *Standards for Inventory Control and Management* (the DOI Standards), and whether it is maintaining internal control systems as required by the New York City Comptroller's Directive #1. Specifically, the audit determined whether the SNP exercises proper controls over its computers and computer-related equipment.

The SNP was founded in 1971 to enhance law enforcement's response to major drug trafficking crimes in the City. In accordance with New York State Judiciary Law, Article 5-B, §177-C, the SNP was granted concurrent jurisdiction to investigate cases brought to it by federal, state and local law enforcement agencies, and was given authority to prosecute narcotics felonies in the City's five counties. In carrying out those responsibilities, the SNP routinely works with national and international law enforcement agencies.

The SNP is headed by a Special Assistant District Attorney who is appointed by the five District Attorneys located in New York City. For Fiscal Years 2015 and 2016 (July 1, 2014 through June 30, 2016), the SNP spent \$52,224 to purchase electronic office equipment, such as computers, monitors and printers.

Results

The audit found that the SNP maintained inventory and relinquishment records that together accounted for nearly all of its tested electronic office equipment. However, several errors and omissions in those records reflected weaknesses in the SNP's compliance with the DOI Standards and Comptroller's Directive #1. Auditors were able to account for 746 of 747 items listed in the SNP's inventory records. But auditors identified three items purchased by the SNP that were physically located on SNP's premises but not listed in its current inventory records. The auditors also found nine items that had been relinquished but were incorrectly reported in the SNP's inventory list as either being "in use" or on "shelf". In addition, there were gaps in the SNP's updating of its inventory records that reflected the office's receipt of incoming items and items removed. The auditors also found instances of missing, erroneous, or duplicated tag numbers and serial numbers in the SNP's records. These inventory control weaknesses could expose the SNP to a potential risk of loss, misappropriation or theft.

The audit made three recommendations:

- The SNP should maintain complete and accurate records of all equipment in accordance with the DOI Standards and Comptroller's Directive #1.
- The SNP should update inventory records promptly and accurately when any inventory changes occur, including the acquisition and relinquishment of equipment.
- The SNP should conduct an annual inventory count of all its computer and computer-related equipment, ensuring that accurate information regarding all such items and their locations is properly recorded in the inventory records.

The SNP agreed with the report's findings and recommendations and described the steps it has taken or will take to implement the report's recommendations.

Audit Follow-up

The SNP reported that all three audit recommendations have been implemented.

TAXI AND LIMOUSINE COMMISSION

Letter Audit Report on the New York City Taxi and Limousine Commission's Monitoring of Drivers Who Are Licensed by the Taxi and Limousine Commission

Audit # SZ15-064AL

Comptroller's Audit Library #8470

Issued: December 8, 2016

Monetary Effect: None

Introduction

The audit was conducted to determine whether the Taxi and Limousine Commission (TLC) is effectively monitoring drivers who are currently licensed by TLC. TLC, created in 1971, is the agency responsible for licensing and regulating New York City's medallion (yellow and green) taxicabs, for-hire vehicles (community-based liveries, luxury limousines, and black cars), commuter vans, and paratransit vehicles (ambulettes). TLC licenses and regulates over 50,000 vehicles and approximately 100,000 drivers, and performs safety and emissions inspections of the 13,587 medallion taxicabs three times each year, as well as biennial inspections of all TLC-licensed for-hire vehicles.

TLC is required to establish and enforce its own policies and procedures for monitoring drivers and their driving behavior, which must be consistent with all applicable City, State, and Federal regulations. It has two programs that monitor vehicle operators: the Critical Driver Program, and the Persistent Violator Program. Under both programs, TLC may suspend or revoke the TLC license of drivers who commit an excessive number of violations.

The Critical Driver Program, governed by Sections 2-07 and 6-17 of Title 35 of the City Rules and Regulations, allows the TLC to suspend a driver's TLC license for up to 30 days after a driver accumulates more than six Department of Motor Vehicle (DMV) points in a 15-month period. The Persistent Violator Program establishes the rules and regulations for drivers to maintain their TLC licenses in good standing. It establishes penalties for drivers who repeatedly violate vehicle and traffic laws and TLC rules within a 15-month period. Violations may include failure to pick up fares, cleanliness of the vehicle, and discourteous behavior to the public.

TLC determines the DMV status of its drivers through its enrollment in the DMV's License Event Notification System (LENS) program. Through LENS, TLC is notified daily of any event that affects the driving licenses of those drivers licensed by TLC, such as an expired license, the accumulation of points, an accident, and charges against a driver for driving while impaired or driving under the influence.

In January 2014, the City launched the Vision Zero Action Plan (Vision Zero), an initiative to reduce driver, bicyclist, and pedestrian injuries and fatalities in New York City. Vision Zero detailed steps to improve street safety, including lowering the speed limit from 30 miles per hour to 25 miles per hour and increasing the penalties for driving with a suspended license and leaving the scene of an accident. The Plan also proposed increasing the number of red light cameras and installing additional traffic devices to control speeding. Subsequently, the City enacted Local Laws 27, 28, 30 and 31, which collectively require TLC to enforce the rules outlined in the Plan.

Results

The audit found that, in general, TLC effectively monitors the driving behavior of those drivers who currently possess a TLC license to drive a medallion taxicabs and for-hire vehicles. TLC subscribes to the DMV's LENS program and receives its updates, and revokes the privileges of TLC-licensed drivers who have suspended or revoked DMV licenses in a timely manner. In addition, TLC provided all of its TLC-licensed drivers with a required safety awareness program that includes a Defensive Driving Course.

In response to local laws enacted as a result of Vision Zero, TLC also developed a system that tracks accidents, crashes, and fatalities involving drivers of TLC-regulated vehicles.

In its written response, TLC agreed with the report's finding and recommendation and stated that "[t]he Commission has reviewed the report and the Findings and Recommendations and thanks the Office of the Comptroller for its finding that TLC effectively monitors the driving behavior of those Drivers that the Commission licenses to perform For-Hire work in New York City."

TLC further responded that "[t]he TLC will continue to use the DMV's License Event Notification System (LENS), the Critical Driver and Persistent Violator Programs to monitor Driver habits so as to identify and address issues pertaining to poor driving behavior as quickly as possible."

DEPARTMENT OF TRANSPORTATION**Audit Report on the Department of Transportation's Installation and Maintenance of Street Name Signs**

Audit # MD17-063A

Comptroller's Audit Library #8525

Issued: June 30, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the Department of Transportation (DOT) adequately tracks its maintenance efforts with regard to street name signs and maintains such signs in accordance with its own internal guidelines.

DOT's mission is to provide for the safe, efficient, and environmentally responsible movement of people and goods in the City of New York, particularly on its streets, highways, bridges, and waterways. In connection with that mission, DOT installs both large overhead and standard street name signs. Large overhead street name signs are located at the intersections of major arterials (high capacity urban roads) and commercial districts, while standard street name signs are located at every street corner. This audit focuses on DOT's maintenance of the approximately 250,000 standard street name signs in New York City.

DOT receives complaints for repair and replacement of street name signs from the public and elected officials, both directly and from New York City's 311 service. Complaints received directly by DOT are fielded by DOT's internal customer service staff and tracked in its Agency Response Tracking System (ARTS). DOT's procedures require that ARTS complainants receive a written response within 90 days. Before sending those letters, DOT surveys the area about which the complaint was made. Under DOT's internal procedures, neither of those actions—the survey or written response—is required for 311 complaints, although DOT does map them in an effort to identify areas that likely need their street name signs replaced.

Results

The audit found significant deficiencies in DOT's management of the replacement of street name signs, and its tracking of street name signs maintenance efforts. In particular, the audit found that DOT does not have a complete inventory of street name signs and therefore does not know how many signs are actually required. In addition, DOT does not have a comprehensive plan to identify all street name signs in need of replacement, and does not ensure that all complaints of missing or damaged signs received via 311 communications are addressed. Finally, the audit found that DOT has not established time frames for addressing certain non-emergency street name sign replacements, once a need for replacement has been identified.

The audit made six recommendations, including:

- DOT should take steps to (1) identify and document its complete inventory of standard street name signs throughout the City; and (2) develop protocols to periodically update changes to its records in a timely manner.
- DOT should develop a comprehensive plan for conducting surveys to identify street name signs that need to be repaired/replaced throughout the City, and regularly monitor its implementation of that plan.

- DOT should establish procedures to ensure that 311 street-name-sign complaints are investigated and addressed in a reasonable time frame.
- DOT should establish time standards for addressing street name sign repairs/replacements once the need for repairs/replacements has been identified, and regularly monitor how well it is meeting those standards.

In its response, DOT agreed with one recommendation, partially agreed with three recommendations, and disagreed with two recommendations that it develop a comprehensive plan for conducting surveys and establish procedures to ensure that 311 street name sign complaints are investigated and addressed in a reasonable time frame.

Audit Follow-up

DOT reported that two recommendations have been implemented, one recommendation is in process of being implemented and the remaining three will not be implemented. Specifically, DOT disagreed with the recommendation to document its complete inventory of standard street name signs and develop protocols to update changes in a timely manner. However, DOT's argument in its response is contradictory, first stating that a complete inventory "is not feasible" yet later stating that "steps are underway to identify and document a complete inventory of SNSs."

DOT also disagreed with the recommendation that it develop a comprehensive plan for conducting surveys to identify street name signs that need to be repaired/replaced throughout the City, stating that the agency has a plan. However, DOT's daily work plan is based on the Director's personal judgment, which dictates the prioritization of complaints and does not account for areas with missing or damaged signs for which the agency received relatively few complaints.

Lastly, DOT disagreed with the recommendation that it establish procedures to ensure that the street-name-sign complaints it receives through the 311 system are investigated and addressed in a reasonable time frame, arguing in its response that the sign-replacement process is not 311-driven. However, that response fails to recognize that DOT's protocol for addressing 311 complaints regarding missing or damaged street name signs leaves the agency with no plan for addressing those that concern missing and damaged signs in areas with low numbers of complaints.

DEPARTMENT OF YOUTH AND COMMUNITY DEVELOPMENT

Final Letter Report on the New York City Department of Youth and Community Development's Compliance with Local Law 25 Regarding Translation of Agency Website

Audit # SZ17-130AL

Comptroller's Audit Library #8502

Issued: May 30, 2017

Monetary Effect: None

Introduction

This audit was conducted to determine whether the Department of Youth and Community Development (DYCD) complied with Local Law 25, which governs the translation of websites of New York City agencies. Local Law 25 is intended to make City agencies, and ultimately the City as a whole, more accessible to foreign-born residents whose primary language is not English. This audit of DYCD was one in a series of audits we are conducting of the City's compliance with Local Law 25.

New York City, with a population of more than 8.5 million people, is home to one of the most diverse populations in the world, with more than 3.2 million foreign-born residents from more than 200 countries. According to the New York City Department of City Planning, nearly one-half of all New Yorkers speak a language other than English at home, and almost 25 percent of City residents age five and over, or 1.8 million persons, are not proficient in English. For residents with limited English proficiency, interacting with City government and receiving access to City services can be a challenge.

Most City agencies have a significant presence on the internet and rely on agency websites to both provide information and to interact with the public. Accordingly, in 2016, Mayor de Blasio signed Local Law 25, amending the City's Administrative Code in relation to citizens' ability to access translation of City websites. Local Law 25 requires that every website maintained by or on behalf of a City agency include a translation service enabling users to view the text of that website, wherever practicable, in languages other than English. It also requires that the translation service be identifiable in a manner that is comprehensible to speakers of the seven most commonly spoken languages in the city. As determined by the Department of City Planning, the seven most commonly spoken languages in New York City amongst residents with limited English proficiency are Spanish, Chinese (includes Cantonese, Mandarin and Formosan), Russian, Bengali, French Creole (also called Haitian Creole), Korean and Arabic.

Results

The audit found that DYCD generally complies with Local Law 25. DYCD's website, found at <http://www1.nyc.gov/site/dycd/index.page>, includes a translation feature for viewing text and essential information in various languages, including the top seven languages spoken by residents with limited English proficiency.

DYCD's website also provides information on its efforts in youth and community development including the agency's Youth Connect, a web-based platform that serves as a resource and referral service. Youth Connect's mission is to increase access to and visibility of opportunities for young people by serving as a one-stop shop for all youth-related resources in New York City. In addition, DYCD's website provides information on how residents can participate in community efforts through Community Action Boards or Neighborhood Advisory Boards. All information can be translated and viewed in the top seven noted languages.

DYCD defines its essential public documents as agency brochures, standardized program applications distributed by DYCD, enrollment forms and consent forms. Two forms were provided on the website: the "Transportation Application" and the "Helping Hand" brochure. Both of these forms could be translated into the top seven noted languages.

The audit recommends that DYCD continue to maintain its compliance with Local Law 25 to ensure it effectively meets the needs of residents with limited English proficiency when accessing city services online.

In its response, DYCD agreed with the report's findings and stated, "[t]he Department of Youth and Community Development (DYCD) is pleased to acknowledge the conclusions of the Draft Letter Report that 'DYCD generally complies with Local Law 25' by maintaining a website, which 'includes a translation feature for viewing text and essential information in various languages, including the top seven languages spoken by residents with limited English proficiency' and . . . DYCD agrees with the sole Recommendation that it should continue to maintain its compliance with Local Law 25 to ensure that it effectively meets the needs of residents with limited English proficiency when accessing city services online."

SECTION II

NON-GOVERNMENT AUDITS AND SPECIAL REPORTS

CLAIMS

During Fiscal Year 2017, reports were issued on claims filed against the City. The analyses accepted amount for those claims totaled \$2,680,106. This resulted in a potential cost avoidance of \$1,541,666 as shown below:

Total Claim Amount	\$2,680,106
Less: Analyses Accepted Amount	\$1,138,440
Potential Cost Avoidance	\$1,541,666

A list of the six claims follows:

REPORT NUMBER	CLAIMANT	DATE ISSUED	CLAIM AMOUNT	ANALYSES ACCEPTED AMOUNT	DISPOSITION SETTLEMENT AMOUNT
SR16-108S	Iron Mountain, Inc.	8/26/16	*	*	*
SR16-121S	Hertz Equipment Rental Corp.	10/21/16	*	*	*
SR17-091S	The Children's Village, Inc.	12/13/16	*	*	*
SR17-092S	Ballet Hispanico	3/6/2017	*	*	*
SR17-096S	Certified Laboratories, Inc.	11/29/16	*	*	*
SR17-104S	Executive Safety and Health Consultants, Inc.	3/29/17	*	*	*
FISCAL YEAR 2017 TOTALS			\$2,680,106	\$1,138,440	\$1,541,666

***Note:** As stated, these cost-avoidance figures are only “potential.” They are based on results of analyses, and these are only the first step in the claims process. As claims are further processed and 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 claims process.

FRANCHISE, CONCESSION, AND LEASE AUDITS

Franchise, concession, and lease agreements between various City agencies and private organizations generate revenues for the City, based on formulas defined in the agreements. As shown below, Fiscal Year 2017 audits resulted in collection of actual revenue totaling \$180,147 and potential revenues totaling \$122,090. Additional revenue can be collected if all audit recommendations are followed.

Audit Number	Audit Library No.	Agency/Title	Date Issued	Actual Revenue To Date	Remaining Potential Revenue
FN17-081A	8523	EDC– Audit Report on the Compliance of Metro Cruise Services, L.L.C. with Its Operating Agreement	6/29/17	\$98,221	0
FN17-080A	8518	DPR – Audit Report on the Compliance of Queens Ballpark Company, L.L.C. with Its City Parking Facilities Agreements	6/26/17	\$76,379	\$70,685
FN17-089A	8521	DPR – Audit Report of the Compliance of Manhattan River Group, L.L.C. with its License Agreements with the City	6/28/17	\$5,547	\$51,405
FP17-083A	8501	DPR – Audit Report on the Compliance of Kissena Golf LLC with Its License Agreement for the Kissena Park Golf Course	5/30/17	0	0
	TOTAL			\$180,147	\$122,090

NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION

Audit Report on the Compliance of Metro Cruise Services, L.L.C. with Its Operating Agreement for the Brooklyn Cruise Terminal

Audit # FN17-081A

Comptroller's Audit Library #8523

Issued: June 29, 2017

Monetary Effect: Actual Revenue: \$98,221

Introduction

This audit was conducted to determine whether Metro Cruise Services, LLC (MCS) paid the City the correct amount of revenue as required under its operating agreement (Operating Agreement) for the Brooklyn Cruise Terminal (BCT), and whether MCS complied with the other major requirements of that agreement. In addition, the audit sought to determine whether the New York City Economic Development Corporation (EDC) provided sufficient oversight of MCS' performance to protect the City's interests.

In May 2013, the City, acting through EDC, entered into an Operating Agreement with MCS, which provides that MCS shall be the sole and exclusive operator of the BCT. As operator, MCS is responsible for the day-to-day operations of the BCT and the management of the pier. MCS' responsibilities include providing docking and stevedoring, and meeting other needs of vessels accommodated there.

Under the Operating Agreement, MCS must remit the revenue generated from the BCT's operation to the City, through EDC, after deducting specified types of revenue—such as MCS' compensation—and allowable costs. The City's share is referred to as Operating Income. The revenue that MCS shares with the City consists of wharfage (based on cruise ships' passenger counts), dockage, and special events. In addition, MCS shares with the City the fees MCS collects for furnishing cruise ships with fresh water from the City's water supply system. EDC is responsible for administering the Operating Agreement and for ensuring that the City receives the correct amount of revenue.

Results

The audit found that MCS understated the Operating Income due the City by at least \$98,221 through its inaccurate computation and deduction of security costs. The audit further found that MCS maintained insufficient records, preventing auditors from determining whether it properly reported and shared with the City the special event revenue generated at the BCT. Lastly, the audit identified gaps within MCS' fresh water meter readings that MCS did not satisfactorily explain. As a result, the auditors question the accuracy of the payments made to the City for the provision of fresh water.

The audit also found that EDC did not sufficiently oversee MCS' compliance with the Operating Agreement, to ensure that MCS paid the correct amount to the City. Specifically, EDC did not verify the accuracy of the passenger counts on which MCS computed the wharfage fees due to the City, as well as MCS' reported fresh water revenue, Safety and Security Costs, and routine maintenance costs.

The report made four recommendations, including that MCS should:

- Remit \$98,221 to the City for improperly claimed Safety and Security Costs.

The audit also recommended that EDC should:

- Review all prior payments and corresponding supporting documentation used by MCS to calculate the Operating Income payable to the City;
- Recoup all Operating Income owed to the City by MCS, including underpayments in previous calendar years that resulted from MCS' inappropriate deductions and calculations; and
- Implement procedures to ensure that MCS, any successor, or any other BCT operator accurately reports BCT Operating Revenue.

In its response, MCS agreed with the finding that it improperly deducted \$98,221 for Safety and Security Costs for Calendar Years 2014 through 2016. However, MCS also stated that it was now “seeking reimbursement” for a separate security staffing expense during the period totaling \$109,053 for hiring a “Roundsman.” As for the finding that MCS did not always execute written contracts for special events, MCS said it had provided us with “Hold Harmless & Indemnity Agreements (HH&I) and/or other legally binding documents” for those events. In addition, MCS said that its water meter “can record terminal water usage,” but is not set up to “exclusively measure the fresh water supplied to cruise ships.”

In its response, EDC agreed that MCS overbilled the City by \$98,221 for Safety and Security costs and said it would recoup that amount from MCS. But it objected to the audit's statement that “EDC informed us that it did not verify the information submitted to it by MCS,” stating that “[t]his statement was taken out of context. In accordance with the EDC Cruise Billing Manual highlighted by the Comptroller's Office in the Draft Audit Report, EDC routinely conducted quarterly reconciliation and verification or [sic] revenues and costs associated with the operation of the cruise terminal.” EDC also noted that “the water meter that records fresh water supplied to cruise ships does not do so exclusively.”

Audit Follow up

MCS reported that its association with the BCT has concluded.

EDC reported that all recommendations addressed to EDC have either been implemented or are in the process of being implemented. It also said it plans to deduct the \$98,221 from \$375,693 that EDC owes Metro Cruise Services for a prorated Minimum Operations Charge.

DEPARTMENT OF PARKS AND RECREATION**Audit Report on the Compliance of Queens Ballpark Company, L.L.C. with Its City Parking Facilities Agreements**

Audit # FN17-080A

Comptroller's Audit Library #8518

Issued: June 26, 2017

Monetary Effect: Actual Revenue: \$76,379
 Potential Revenue: \$70,685

Introduction

This audit was conducted to determine whether Queens Ballpark Company, L.L.C. (QBC) accurately reported revenue and expenses, paid required fees to the City in a timely fashion, and complied with other major requirements of its City agreements. The audit also determined whether the Department of Parks and Recreation (Parks) engaged in adequate oversight to ensure QBC's compliance with the City agreements.

The City of New York (the City), acting through Parks, entered into four agreements with QBC, a subsidiary of Sterling Mets, L.P. The City agreements provide for the management, operation and maintenance of several parking facilities near Citi Field Stadium in Flushing, Queens that are predominantly used for events held at the stadium and for commuter parking. The parking operations also include 15 smaller parking sites used mainly as auxiliary parking for Citi Field Stadium, the US Open Tennis Championships, and for special events such as flea markets, concerts and commercial promotions. Parks is responsible for administering the agreements to ensure compliance and to collect the proper rent from QBC. The rent that QBC pays the City, called "base rent" in the City agreements, is determined by a formula based on net revenue.

Results

The audit found that QBC complied with most of the major terms of its City agreements, but understated its net revenue by at least \$294,127. The understated revenue resulted from the underreporting of prepaid parking revenue and discounts, and free parking spaces as well as its failure to detect a duplicate sales tax deduction. As a result, it owes the City at least \$147,064 in additional base rent. The audit also found inconsistencies in QBC's books and records, and determined that QBC's point-of-sale system lacked the controls needed to ensure a complete and accurate record of all parking-related transactions. Further, we found that QBC did not adequately verify the accounting of the special-events revenue and expenses reported by a related company, CF Hospitality, L.L.C. (CFH), and did not notify Parks of special events as required by the City agreements.

The report made recommendations, including that QBC should:

- Remit \$147,064 in additional base rent to Parks.
- Ensure that base rent is accurately calculated.
- Properly review CFH's operation to ensure that it correctly reports special events revenue and expenses in accordance with QBC's agreements with the City.
- Establish a written agreement with CFH that clearly details the responsibilities of each party for all special events managed or booked by CFH.

- Provide all documents requested by the City, including the Comptroller's Office, to determine if QBC is complying with the City agreements.
- Strengthen its internal controls by modifying its point-of-sale system.
- Ensure that Parks is notified of all special events in the Citi Field parking lots.

The report also made recommendations that Parks should:

- Ensure that QBC remits the additional base rent due assessed in this report.
- Determine whether the revenue allocation methodology used by QBC to report special events revenue is reasonable.
- Review the special events files and determine whether QBC accurately reported its revenue and expenses.
- Review QBC's Calendar Year 2016 records to determine whether it owes additional base rent for the period.
- Ensure QBC implements the recommendations of this report.

In its written response, QBC criticized the report's findings but did not directly address each recommendation. QBC objected to one finding, saying it contained "incorrect conclusions due to the auditors' or the Comptroller's misinterpretation of the City agreements and misunderstanding of QBC's accounting and operations."

In its response, Parks generally agreed with the recommendations. With respect to QBC's use of excessive team parking spaces, Parks responded that "Parks is reviewing this matter with our General Counsel and the City's Law Department."

Audit Follow-up

QBC reported that two recommendations have been partially implemented, and the remainder of the recommendations addressed to QBC have been either implemented or are in process of being implemented.

Parks reported that it has either implemented or is in the process of implementing the recommendations addressed to Parks. Parks reported that QBC has remitted \$76,378.50 of the \$147,064 owed to the City.

DEPARTMENT OF PARKS AND RECREATION

Audit Report of the Compliance of Manhattan River Group, L.L.C. with Its License Agreements with the City

Audit # FN17-089A

Comptroller's Audit Library # 8521

Issued: June 28, 2017

Monetary Effect: Actual Revenue: \$5,547
 Potential Revenue: \$51,405

Introduction

This audit was conducted to determine whether Manhattan River Group, L.L.C. (MRG) accurately reported its gross revenues, made appropriate and timely payments to the City and complied with other requirements of its agreements with the City, such as making capital improvements, maintaining insurance coverage and keeping adequate books and records.

On June 25, 2009, the City through its Department of Parks and Recreation (Parks) entered into two separate 15-year license agreements with MRG, including one for the operation of a restaurant and lounge (the Restaurant), and a second for the operation of a marina (the Marina) at the Dyckman Marina, located at 348 Dyckman Street in Manhattan. For the restaurant agreement, MRG was required to pay the City the higher amount of \$78,604 or eight percent of the Restaurant's gross receipts from the period of April 1, 2015 through March 31, 2016. Under the Marina's agreement (the Marina Agreement), MRG was required to pay the City the higher amount of \$15,073 or five percent of the Marina's gross receipts for the period of November 1, 2015 through October 31, 2016. Both agreements also required MRG to complete specific capital improvements by the end of the second operating year after the agreement was signed.

Results

The audit found that MRG's payments to Parks under both agreements were timely, and capital improvements on the Restaurant were completed. But it also found that MRG underreported its gross receipts from the Restaurant by at least \$488,874, and owes the City at least \$39,110 in additional license fees and \$17,842 in late charges. The audit found inadequate internal controls and inconsistent practices in MRG's recordkeeping procedures, including a failure to maintain sufficient documentation related to its operation of the Marina. Moreover, MRG could not produce recordings showing that it completed 8 of the required 18 capital improvements for the Marina. Finally, MRG failed to maintain certain required insurance coverage for the Restaurant and the Marina for each business's 2016 operating year. That omission potentially exposed the public and the City to unwarranted financial risk, in violation of MRG's obligations under its agreements.

The report made recommendations to MRG and Parks, including that MRG:

- Remit to Parks \$56,952 in additional license fees and late charges owed to the City due to MRG's having underreported the Restaurant's gross receipts;
- Report all gross receipts to Parks including complimentary meals, beverages, discounts, catering service charges, advance deposit and gift cards sales, overpayments by patrons;
- Ensure the Restaurant and the Marina are properly insured at all times.

The audit recommended that Parks:

- Ensure that MRG remits all additional fees due with applicable late fee charges;
- Ensure that all promotional and complimentary management discounts utilized by MRG are recorded as gross receipts and included in the calculation for fees due to the City;
- Ensure that MRG provides documentation to show that capital improvements at the Marina are completed as required by the agreement;

In its written response, MRG disputed the findings but agreed with seven of the nine recommendations. MRG stated that “the Audit Team has not undertaken an adequate legal review of the License Agreements between Manhattan River Group, LLC (‘MRG’) and the City of New York (the ‘License Agreement’), and has failed to take into consideration best practices in the food and beverage industry.” In particular, MRG contends that the audit report misinterprets the meaning of “gross receipts” as defined in the Restaurant Agreement. MRG also claims that “[t]he Comptroller has also exaggerated minor lapses in record keeping and focused in on software issues that were corrected well before the commencement of this audit.”

In its response, Parks agreed with five of the recommendations. It took no position on the remaining two recommendations, but stated that, “[w]ith regard to the potential fees owed on complimentary meals and beverages, and service charges, there is a difference in interpretation of the license agreement between the Comptroller’s Office and MRG. Parks is reviewing this matter with our General Counsel and the City’s Law Department.”

Audit Follow-up

MRG reported that it has made a partial payment to Parks and stated that it is awaiting clarification from the Law Department concerning gross receipts. MRG also states that the remaining recommendations are either in process or have been implemented.

Based on Parks’ subsequent review of the documentation from MRG related to capital improvements made at the Marina, it determined MRG was in compliance with the agreement. Therefore, Parks did not implement two recommendations concerning the retention of an engineer to observe and evaluate capital improvements at the Marina, and to assess liquidated damages for unfinished capital improvements. For the remaining recommendations addressed to Parks, Parks has been or is in the process of implementing the recommendations.

DEPARTMENT OF PARKS AND RECREATION**Audit Report on the Compliance of Kissena Golf LLC with Its License Agreement for the Kissena Park Golf Course**

Audit # FP17-083A

Comptroller's Audit Library #8501

Issued: May 30, 2017

Monetary Effect: None

Introduction

The audit was conducted to determine whether Kissena Golf LLC (Kissena Golf) was in compliance with its License Agreement (License) with the City, and whether the New York City Department of Parks and Recreation (Parks) was properly monitoring Kissena Golf's activities to ensure its compliance with the License.

In 2008, Kissena Golf entered into a 20-year License with Parks for the renovation, operation, and maintenance of an 18-hole golf course, clubhouse, and food service facility at Kissena Park located in Queens. The License requires Kissena Golf to annually pay the City the higher amount of either the minimum annual fee, or a specified percentage of the year's gross receipts from the operation of the licensed premises.

In both cases, Kissena Golf must also pay a surcharge of \$4.00 for each round played, other than rounds played by juniors (golfers who are 16 years old and younger). During our scope period, the License required that Kissena Golf pay the higher amount of the minimum annual fee of \$240,000 or 14 percent of gross receipts for green fees and cart rentals, plus 9 percent of gross receipts for merchandise, snack bar/grill and other revenue.

Results

The audit found that Kissena Golf properly applied the correct minimum annual License fees, but did not comply with the gross receipts reporting requirements of its License, and understated the gross receipts it reported to Parks by \$56,402. As a result, Kissena Golf did not meet its obligation under the License to fully disclose all gross receipts that were generated from its use of the golf course. The unreported revenue retained by the two sub licensees during the audit period did not affect the amounts of Kissena Golf's License fees payable to Parks, because only the minimum payment was due during the audit period. But the continued omission of revenue from future reports could improperly reduce Kissena Golf's future payments to Parks for its use of the City's golf course. In addition, the audit found that Kissena Golf violated its License by entering into the two sublicense agreements without prior authorization from Parks. The audit also found that Kissena Golf did not maintain adequate controls to ensure proper segregation of duties.

In addition, the audit found that Parks did not adequately review Kissena Golf's reporting of capital improvements expenditures, and allowed Kissena Golf to include \$4,403 of regular maintenance and other expenses, and \$7,442 for purchases delivered to another golf course in its claimed capital spending under the License. Further, neither Kissena Golf nor Parks provided documentation to substantiate \$196,353 of Kissena Golf's claimed capital improvements expenses—approved by Parks—for the licensed facility. Moreover, Parks did not ensure that Kissena Golf completed all capital improvements required by the License. Finally, Parks did not enforce Kissena Golf's obligation to submit supporting documents for capital improvements when requested.

The audit made recommendations to Kissena Golf and to Parks, including that Kissena Golf should:

- Ensure that all revenue from the licensed premises is properly reported to Parks.
- Establish an adequate system of controls to ensure a proper segregation of duties.
- Complete all required capital improvements as required by the License.
- Obtain approval from Parks before entering into any sublicense or subcontract agreement affecting the management and operation of the licensed premises.

Parks should ensure that Kissena Golf:

- Properly report all gross receipts.
- Submit documents relating to its capital spending and other activities related to the License promptly upon request.
- Maintain adequate internal controls, including segregation of duties.
- Submits for review and approval by Parks all proposed sublicenses and subcontracts before entering into such agreements.

Kissena Golf agreed with each of the report's seven recommendations. Parks agreed with six of the seven recommendations addressed to it and partially agreed with one recommendation. Specifically, Parks agreed that the \$4,403 Kissena Golf spent for winterization expenses should be categorized as maintenance and deducted from Kissena Golf's capital expenditures, but disagreed that Parks should also deduct \$7,442 for purchases delivered to another golf course.

Audit Follow-up

Kissena Golf reported that all seven recommendations addressed to Kissena Golf have been implemented.

Parks reported that six recommendations have been implemented and that the remaining recommendation has been partially implemented.

UNITED PROBATION OFFICERS ASSOCIATION WELFARE FUND

Audit Report on the Financial and Operating Practices of the United Probation Officers Association Welfare Fund

Audit # FM16-069A

Comptroller's Audit Library #8498

Issued: May 23, 2017

Monetary Effect: Potential Savings: \$466,607

Introduction

This audit was conducted to determine whether the United Probation Officers Association Welfare Fund (the Welfare Fund) complied with the procedures and reporting requirements set forth in Comptroller's Directive #12 and in its Fund Agreement.

The Welfare Fund and the United Probation Officers Association Retirement Welfare Fund (the Retirement Fund) (also referred to collectively as the Funds) were established as employee and retiree benefit funds (Benefit Funds), respectively, under the provisions of two separate fund agreements, one for each entity, between the City of New York (the City) and the United Probation Officers Association (the Union).

These Fund Agreements result from a collective bargaining agreement between the City and the Union under which the Funds receive contributions from the City (City Contributions) to provide supplementary health and welfare benefits to eligible active and retired City employees, including Probation Assistants, Probation Officer Trainees, Probation Officers, Senior Probation Officers, and Supervising Probation Officers. Pursuant to the Welfare Fund's Trust Agreement, the activity of the Welfare Fund is overseen by a board of trustees, and the day-to-day operations are carried out by a fund administrator (the Fund Administrator).

The City contributes to the Welfare Fund to cover the payment of benefits to City employees as well as a reasonable amount of administrative expenses related to the payment of those benefits. Accounting, auditing and financial guidelines for Benefit Funds are set forth in Comptroller's Directive #12 and include guidelines for spending City funds. In Fiscal Year 2014, the Welfare Fund received \$1,164,595 in City Contributions and reported that it paid \$766,793 in benefits and \$316,923 in administrative expenses. As of June 30, 2014, the Welfare Fund reported net assets of \$1,385,857.

Results

The audit found that the Welfare Fund failed to implement effective controls over its financial affairs and its management of City Contributions of \$1,164,595 in Fiscal Year 2014. Specifically, the audit found that the Welfare Fund violated Comptroller's Directive #12 and its own Fund and Trust Agreements in connection with the disbursement of benefits and administrative expenditures. Those failures resulted in a potential error of \$336,635 (44 percent of its benefit expenditures for 2014) in its financial statements. The Welfare Fund also received a "qualified opinion" from its Independent Auditors on its Fiscal Year 2014 financial statements based on its failure to obtain marriage licenses and birth certificates to establish the eligibility of dependents for benefits and its inability to locate claims for audit-testing.

In addition, the Welfare Fund failed to minimize, control and properly allocate administrative expenses. It spent more than \$300,000 (27 percent) of its City Contributions on administrative expenses, more than two and a half times the 10 percent average of eight similarly-sized Benefit Funds. That spending included \$87,164 in unsupported and improper expenses, rent, utilities, officers' compensation, and other expenses. Finally, the Welfare Fund failed to adequately support, record, and report benefit payments. It improperly paid \$23,808 in undocumented or questionable benefit claims, failed to list some benefits in the benefit booklet provided to its members, and paid almost \$19,000 in medical benefit claims that should have been submitted to the Retirement Fund.

The audit made 13 recommendations, including that the Welfare Fund should:

- Address the deficiencies identified in the "Independent Audit Report" prepared by the Welfare Fund's Independent Auditors, including the "qualified opinion," and the Management Letter," that constitute violations of Directive #12.
- Evaluate the Fund Administrator's performance to ensure that City Contributions are spent appropriately, monitored carefully, and used only for expenditures that directly or indirectly benefit Welfare Fund members, and that complete and accurate records, including documentation of claim eligibility, are maintained.
- Improve the Welfare Fund's record keeping procedures and practices to ensure that the Welfare Fund records all transactions in a timely manner, retains all billed invoices, and conducts regular bank reconciliations.

In its response, the Fund Administrator of both the Welfare Fund and the Retirement Fund represented that "[t]he UPOA Welfare Fund will address all the recommendation [sic] made to the Trustee Board and will do all that is necessary to comply with the Comptrollers [sic] Directive 12." The Welfare Fund's written response does not agree or disagree with any of the 13 in the audit report, but states that the Welfare Fund "will address all" of them, without stating whether the Fund will implement any of them.

Audit Follow-up

The Welfare Fund reported that the recommendations have either been implemented or are in the process of being implemented.

UNITED PROBATION OFFICERS ASSOCIATION RETIREMENT WELFARE FUND

Audit Report on the Financial and Operating Practices of the United Probation Officers Association Retirement Welfare Fund

Audit # FM16-070A

Comptroller's Audit Library #8499

Issued: May 23, 2017

Monetary Effect: Potential Savings: \$393,466

Introduction

This audit was conducted to determine whether the United Probation Officers Association Retirement Fund (the Retirement Fund) complied with the procedures and reporting requirements set forth in Comptroller's Directive #12 and in its Fund Agreement.

The Retirement Fund and the United Probation Officers Association Welfare Fund (Welfare Fund) (also referred to collectively as the Funds) were established as retirement and employee benefit funds (Benefit Funds), respectively, under the provisions of two separate fund agreements (one for each entity) between the City of New York (the City) and the United Probation Officers Association (the Union).

These fund agreements result from a collective bargaining agreement between the City and the Union, under which the Funds receive contributions from the City (City Contributions) to provide supplementary health and welfare benefits for eligible retired and active City employees, including Community Workers, Probation Assistants, Probation Officer Trainees, Probation Officers, Senior Probation Officers, and Supervising Probation Officers. Pursuant to the Retirement Fund's Trust Agreement, the activity of the Retirement Fund is overseen by a board of trustees, and the day-to-day operations are carried out by a fund administrator (the Fund Administrator).

The City contributes to the Retirement Fund to cover the payment of benefits to City employees as well as a reasonable amount of administrative expenses related to the payment of those benefits. Accounting, auditing and financial guidelines for Benefit Funds are set forth in Comptroller's Directive #12 and include guidelines for spending City funds. In Fiscal Year 2014, the Retirement Fund received \$674,554 in City Contributions and reported that it paid \$337,840 in benefits and \$183,670 in administrative expenses. As of June 30, 2014, the Retirement Fund reported net assets of \$764,030.

Results

The audit found that the Retirement Fund failed to implement effective controls over its financial affairs and its management of City Contributions of \$674,554 in Fiscal Year 2014. Specifically, the audit found that the Retirement Fund violated Comptroller's Directive #12 and its own Fund and Trust Agreements regarding the disbursement of benefits and administrative expenditures. Specifically, the Retirement Fund was allocated part of the \$183,670 spent on employee compensation but kept no records of the hours worked and absences of its only two employees. Moreover, the Retirement Fund paid its trustees \$900 in prohibited stipends, and had no fiduciary insurance to cover the trustees as required by its Fund Agreement. The Retirement Fund also received a "qualified opinion" from its Independent Auditors on its Fiscal Year 2014 financial statements, based on its failure to obtain marriage licenses and birth certificates to establish the eligibility of dependents for benefits and its inability to locate claims for audit-testing. Those failures resulted in a potential error of \$311,332 (92 percent of its benefit expenditures for 2014) in its financial statements.

The Retirement Fund also failed to minimize, control and properly allocate administrative expenses. It spent more than \$180,000 (27 percent) of its City Contributions on administrative expenses, which is more than one and a half times the 17 percent average of six similarly-sized Benefit Funds. That spending included \$50,319 in unsupported and improper administrative expenses, rent, utilities, officers' compensation, and other expenses of the Union. Finally, the Retirement Fund failed to adequately support, record, and report benefit payments. It improperly paid \$12,815 in undocumented or questionable claims, failed to list some benefits in the benefit booklet provided to its members, and did not include almost \$19,000 in payments as part of its benefit expenses.

The audit made 12 recommendations, including that Retirement Fund Trustees:

- Address the deficiencies identified in the "Independent Audit Report," prepared by the Retirement Fund's Independent Auditors, including the "qualified opinion," and the accompanying "Management Letter" that constitute violations of Directive #12.
- Evaluate the Fund Administrator's performance to ensure that City Contributions are spent appropriately, monitored carefully, and used only for expenditures that directly or indirectly benefit Retirement Fund members, and that complete and accurate records are maintained.

In its response, the Fund Administrator of both the Retirement Fund and the Welfare Fund said "[t]he UPOA Welfare Fund will address all the recommendation [sic] made to the Trustee Board and will do all that is necessary to comply with the Comptrollers [sic] Directive 12." While this statement only references the Welfare Fund, we understand from subsequent oral representations that it applies to the Retirement Fund as well.

The Retirement Fund does not agree or disagree with any of the 12 recommendations. It states that it will "address all" of them, but not whether it will implement any of them.

Audit Follow-up

The Retirement Fund reported that the recommendations have either been implemented or are in the process of being implemented.

WELFARE FUNDS

Analysis of the Financial and Operating Practices of Union-Administered Benefit Funds with Fiscal Years Ending in Calendar Year 2014

Audit # SR17-071S

Comptroller's Audit Library #8522

Issued: June 29, 2017

Monetary Effect: None

Introduction

This audit was conducted to review the financial and operating practices of Union-Administered Benefit Funds ending in Calendar Year 2014. Union-administered benefit funds were established under collective bargaining agreements between unions and the City of New York, and they provide City employees, retirees, and dependents with supplemental health benefits not provided under City-administered health insurance plans. Additional 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 91 of the welfare, retiree, and annuity funds whose fiscal years ended in calendar year 2014. These funds received approximately \$1.1 billion in total City contributions for the fiscal year.

Results

This report found that, 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.

The report made 11 recommendations, including that:

- Trustees of funds with higher-than-average administrative costs as a percentage of total revenue should reduce administrative expenses, and determine whether the savings can be redirected to increased benefits for members.
- Trustees of funds with lower-than-average benefit expenses as a percentage of total revenue should determine whether their revenues can support increased benefits for members.
- Trustees of funds with low reserve levels should ensure that their funds maintain sufficient reserves to guard against insolvency.

In addition, this report identified 11 funds that had potential financial issues that should be addressed by fund management.

WELFARE FUNDS

Analysis of the Financial and Operating Practices of Union-Administered Benefit Funds with Fiscal Years Ending in Calendar Year 2013

Audit # SR16-089S

Comptroller's Audit Library #8465

Issued: November 16, 2016

Monetary Effect: None

Introduction

This audit was conducted to review the financial and operating practices of Union-Administered Benefit Funds with fiscal years ending in Calendar Year 2013. Union-administered benefit funds were established under collective bargaining agreements between the unions and the City of New York, and they provide City employees, retirees, and dependents with health benefits not provided under City-administered health insurance plans. Additional 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 90 of the welfare, retiree, and annuity funds whose fiscal years ended in calendar year 2013. These funds received approximately \$1.1 billion in total City contributions for the fiscal year.

Results

This report comprises data received in response to Comptroller's Directive #12. 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.

The report contained 11 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.

In addition, this report identified 10 funds that had potential financial issues that should be addressed by fund management.

Recommendation Status By Audit

	Audit Number	Total # of Recommendations	# of Recommendations Implemented/In Process	# of Recommendations Not Implemented*
Agency				
Administration For Children's Services (Good Shepherd Services Compliance With Its Close To Home Contract)	MD17-066A	16	14	2
Administration For Children's Services (Hamilton-Madison Child Care Center)	ME17-114A	5	4	1
Administration For Children's Services (Brooklyn Kindergarten Society)	ME17-115A	3	3	
Administration For Children's Services (The Child Care Center of New York)	ME17-121A	3	3	
Administrative Tax Appeals, Office of (Controls Over Inventory of Computers and Computer-Related Equipment)	MG16-101A	7	7	
Aging, Dept. for the (Monitoring of Senior Centers)	MG16-111A	10	10	
Aging, Dept. for the (Oversight of Senior Centers Compliance with Executive Order 120)	SZ16-109A	3	3	
Aging, Dept. for the (Letter Report on Compliance with Local Law 25)	SZ17-131AL	2	2	
Campaign Finance Board (Controls over Inventory of Computers and Computer-Related Equipment)	SR17-077A	5	5	
Charter School-Success Academy	FK15-092A	28	28	
City Clerk & Clerk of the Council (Office Equipment Inventory Practices)	SR16-114A	4	4	
City Clerk & Clerk of the Council (Letter Report on Compliance with Local Law 36)	SZ17-116AL	2	2	
Citywide Administrative Services, Dept.(Access Controls Over Its Computer Systems)	SI17-085A	10	10	
Citywide Administrative Services, Dept. (Compliance with Local Law 20 and Placement of Automated External Defibrillators)	SZ17-058A	2	2	
Civil Service Commission (Financial and Operating Practices)	FK17-070A	7	6	1
Community Boards-Bronx (Office Equipment Inventory)	SR16-115A	6	6	
Community Boards-Brooklyn (Office Equipment Inventory)	SR17-087A	5	5	
Community Boards-Queens (Office Equipment Inventory)	SR16-104A	4	4	
Consumer Affairs (Development and Implementation of the Accela System)	SI17-075A	5	4	1

Recommendation Status By Audit

Agency	Audit Number	Total # of Recommendations	# of Recommendations Implemented/In Process	# of Recommendations Not Implemented*
District Attorney - Manhattan (Deferred Prosecution and Non-Prosecution Agreements)	FN16-081AL	2	2	
Economic Development Corporation (Compliance of Metro Cruise Services, L.L.C.)	FN17-081A	4	4	
Education, Dept. of (Allocation of Title I Funding to Public Schools)	FK15-080A	7	5	2
Education, Dept. of (Qualifications of School Bus Drivers and Attendants)	MH17-055A	5	2	3
Education, Dept. of (High Speed Internet Connectivity in New York City Middle Schools)	SI16-082A	9	9	
Equal Employment Practices Commission (Letter Report on Compliance with Local Law 36)	SZ17-128AL	2	2	
Finance, Dept of (Senior Citizen Homeowners' Exemption Program)	SR16-087A	12	10	2
Finance, Dept of (Tax Classification of Real Property in the Bronx)	SR16-110A	4	4	
Finance, Dept of (Administration of the Veterans' Exemption Program)	SR16-119A	18	12	6
Finance, Dept of (Removal of School Tax Relief Exemptions for the Ineligible Properties Identified in Our Recent)	SR17-067SL	1	1	
Finance, Dept of (Tax Classification of Real Property in the Borough of Staten Island)	SR17-084A	3	3	
Homeless Services, Dept. of (Samaritan Daytop Village, Inc.)	FP16-068A	5	5	
Housing Authority (Oversight of Contracts Involving Building Envelope Rehabilitation)	SE16-065A	25	8	17
Housing Preservation & Development (Efforts to Collect Outstanding Money Judgments)	MJ16-063A	6	6	
Housing Preservation & Development (Controls over the Awarding of Housing Incentive Projects)	MJ17-065A	4	2	2
Housing Preservation & Development (Engineering Audit Office's Compliance with Comptroller's Directive No. 7)	SE15-119A	19	2	17
Human Resources Administration (Controls over Its Miscellaneous, Employee, and Imprest Fund Accounts)	FP16-060A	11	11	
Independent Budget Office (Final Letter Report on Inventory Practices)	FK17-069AL	4	2	2
Landmarks Preservation Commission (Issuance of Certificates of No Effect)	MD16-083A	16	14	2

Recommendation Status By Audit

Agency	Audit Number	Total # of Recommendations	# of Recommendations Implemented/In Process	# of Recommendations Not Implemented*
Multi-Agency (Buildings/City Planning - Oversight over Privately Owned Public Spaces)	SR16-102A	11	8	3
Multi-Agency (DCAS & DSNY - Contract with Genuine Parts Company)	MD16-122A	14	14	
Multi-Agency (DOC and DOE - Educational Services Offered to Young Inmates at Rikers Island)	ME16-066A	9	9	
Parks & Recreation, Dept. of (Queens Ballpark Company, L.L.C.)	FN17-080A	13	11	2
Parks & Recreation, Dept. of (Manhattan River Group, L.L.C.)	FN17-089A	16	13	3
Parks & Recreation, Dept. of (Compliance of Kissena Golf LLC)	FP17-083A	14	13	1
Parks & Recreation, Dept. of (Monitoring of Its Employees Who Use E-Zpasses and Parking Permits While Driving City-Owned Vehicles)	SZ17-061A	7	6	1
Public Administrator, New York County (Estate Management Practices)	MG17-057A	11	11	
Public Advocate (Inventory of Computers and Computer-Related Equipment)	MD16-099A	10	9	1
Sanitation, Dept. of (Monitoring of Its Employees Who Use E-Zpasses and Parking Permits While Driving City-Owned Vehicles)	SZ16-075A	14	14	
Special Narcotics, Office of (Controls over Its Computers and Computer-Related Equipment)	SR17-090A	3	3	
Transit Authority (Efforts to Inspect and Repair Elevators and Escalators)	MD16-103A	13	12	1
Transportation, Dept of (Installation and Maintenance of Street Name Signs)	MD17-063A	6	3	3
Welfare Funds-United Probation Officers Association Active Fund)	FM16-069A	13	13	
Welfare Funds-Probation Officers Association Retiree Fund)	FM16-070A	12	12	
TOTAL	53	450	377	73

*If not fully or in the process of being implemented, the recommendations are considered not implemented.

Recommendation Status By Agency

Agency	Total # of Recommendations	# of Recommendations Implemented/In Process	# of Recommendations Not Implemented*	% of Recommendations Implemented*
Administration For Children's Services	27	24	3	89%
Administrative Tax Appeals, Office of	7	7		100%
Aging, Dept. for the	15	15		100%
Campaign Finance Board	5	5		100%
Charter School-Success Academy	28	28		100%
City Clerk & Clerk of the Council	6	6		100%
Citywide Administrative Services, Dept.	12	12		100%
Civil Service Commission	7	6	1	86%
Community Boards-Bronx	6	6		100%
Community Boards-Brooklyn	5	5		100%
Community Boards-Queens	4	4		100%
Consumer Affairs	5	4	1	80%
District Attorney - Manhattan	2	2		100%
Economic Development Corporation	4	4		100%
Education, Dept. of	21	16	5	76%
Equal Employment Practices Commission	2	2		100%
Finance, Dept of	38	30	8	79%
Homeless Services, Dept. of	5	5		100%

Recommendation Status By Agency

Agency	Total # of Recommendations	# of Recommendations Implemented/In Process	# of Recommendations Not Implemented*	% of Recommendations Implemented*
Housing Authority	25	8	17	32%
Housing Preservation & Development	29	10	19	34%
Human Resources Administration	11	11		100%
Independent Budget Office	4	2	2	50%
Landmarks Preservation Commission	16	14	2	88%
Multi-Agency	34	31	3	91%
Parks & Recreation, Dept. of	50	43	7	86%
Public Administrator, New York County	11	11		100%
Public Advocate	10	9	1	90%
Sanitation, Dept. of	14	14		100%
Special Narcotics, Office of	3	3		100%
Transportation, Dept of	6	3	3	50%
Transit Authority	13	12	1	92%
Welfare Funds-Probation Officers Active	13	13		100%
Welfare Funds-Probation Officers Retire.	12	12		100%
TOTAL	450	377	73	84%

*If not fully or in the process of being implemented, the recommendations are considered not implemented.

SECTION IV

INDEX OF GOVERNMENT AGENCY AUDITS AND SPECIAL REPORTS (FISCAL YEARS 2007-2017)

INDEX OF GOVERNMENT AGENCY AUDITS AND SPECIAL REPORTS (FISCAL YEARS 2007-2017)

Actuary, Office of

Financial Practices.....	FY 10,	3
Letter Report on Compliance with Local Law 36.....	FY 16,	3

Administrative Tax Appeals, Office of (See Tax Commission)

Controls Over Inventory of Computers and Computer Related Equipment.....	FY 17,	3
Other Than Personal Service Expenditures.....	FY 11,	3

Administrative Trials and Hearings, Office of

Compliance with Executive Order 120 Regarding Limited English Proficiency	FY 17,	5
Development and Implementation of the NYC Serv-Taxi.....	FY 16,	7
Hearings on Notices of Violations Issued	FY 16,	5
Letter Report on Compliance with Local Law 36.....	FY 16,	9
Letter Report on Compliance of Local Law 25 Regarding Translation of Agency Website.....	FY 17,	7

Aging, Department for the

Awarding of Non-competitive and Limited-competition Contracts	FY 13,	3
Administration of Imprest Funds	FY 07,	3
Compliance with Executive Order 120 Regarding Limited English Proficiency	FY 16,	13
Compliance with Local Law 20 and the Placement of Automated External Defibrillators	FY 16,	15
Controls Over Personally Identifiable Information	FY 10,	5
Development and Implementation of the Senior Tracking, Analysis, and Reporting System	FY 16,	11
Final Letter Report on Compliance with Local Law 25 Regarding Translation of Agency Website.....	FY 17,	12
Letter Report on Compliance with Local Law 36.....	FY 16,	17
Letter Report on the Monitoring of Its Employees Who Use an E-ZPass and Parking Permits While Driving City-Owned or Personally-Owned Vehicles on City Business.....	FY 14,	3
Monitoring of the Physical Conditions of Senior Centers	FY 08,	3
Monitoring of Senior Centers	FY 14,	4
Monitoring of Senior Centers	FY 17,	8
Oversight of Senior Centers' Compliance with Executive Order 120 Regarding Limited English Proficiency	FY 17,	10
Oversight of the Home-Delivered Meal Program	FY 11,	5

Borough Presidents

Bronx	Financial and Operating Practices	FY 07,	5
Bronx	Financial and Operating Practices	FY 11,	7
Bronx	Cash Controls over Receipts from Minor Sales	FY 15,	3
Brooklyn	Financial and Operating Practices	FY 08,	5

Borough Presidents (cont'd)

Brooklyn	Cash Controls Over Transactions		
	From the Topographical Bureau	FY 12,	3
Brooklyn	Cash Controls over Receipts from Minor Sales	FY 15,	4
Manhattan	Financial and Operating Practices	FY 07,	6
Manhattan	Cash Controls Over Minor Sales	FY 12,	4
Manhattan	Cash Controls over Receipts from Minor Sales	FY 15,	5
Queens	Financial and Operating Practices	FY 08,	7
Queens	Cash Controls Over Minor Sales	FY 12,	5
Queens	Cash Controls over Receipts from Minor Sales	FY 15,	7
Staten Island	Financial and Operating Practices	FY 07,	8
Staten Island	Financial and Operating Practices	FY 11,	9
Staten Island	Cash Controls over Receipts from Minor Sales	FY 15,	8

Buildings, Department of

Compliance with the High Risk Construction Oversight Study	FY 15,	9
Controls over the Processing of Construction Permits	FY 16,	21
Elevator Inspections and Follow-up Activities	FY 11,	12
Follow-up of Violations Issued	FY 08,	9
Follow-up on Elevator Inspections and Follow-up Activities	FY 13,	7
Follow-up on the Queens Quality of Life Unit	FY 13,	5
Issuance of Licenses to Site Safety Professionals	FY 16,	19
Issuance and Processing of Notices of Violation	FY 14,	6
Professionally Certified Building Applications	FY 11,	11
Queens Quality of Life Unit	FY 10,	7

Business Integrity Commission

Billing and Collection of Licensing and Registration Fees	FY 16,	23
Follow-up on the Monitoring of the Private Carting and Public Wholesale		
Market Industries	FY 13,	9
Monitoring of the Private Carting and Public Wholesale Market Industries	FY 08,	11

Campaign Finance Board

Controls over Its Inventory of Computers and Computer-Related Equipment.....	FY 17,	14
Other Than Personal Services Expenditure	FY 12,	6
Procurement Practices	FY 07,	10

Charter Schools

Oversight of the Financial Operations of South Bronx Charter School for International		
Cultures and the Arts	FY 16,	25
Oversight of the Financial Operations of the Bedford Stuyvesant New Beginnings		
Charter Schools	FY 16,	29
Oversight of the Financial Operations of the Merrick Academy Queens Public		
Charter Schools	FY 16,	27
Success Academy Charter Schools-NYC's Oversight of Financial Operations.....	FY 17,	16

Chief Medical Examiner, Office of

Compliance with Executive Order 120 Regarding Limited English Proficiency	FY 15,	13
Final Letter Report on the Compliance with Local Law 25 Regarding Translation of Agency Website.....	FY 17,	18
Letter Report on Compliance with Local Law 36.....	FY 15,	11

Children's Services, Administration for

Brooklyn Kindergarten Society Screening of Personnel Thru the Statewide Central Register of Child Abuse and Maltreatment.....	FY 17,	24
Compliance of the Child Development Support Corporation with its Preventive Service Agreements.....	FY 08,	16
Compliance of Graham Windham with Foster and Child Care Payment Regulations.....	FY 09,	13
Compliance of Seamen's Society for Children and Families with Foster and Child Care Payment Regulations.....	FY 07,	11
Controls Over Its Investigation of Child Abuse and Neglect Allegations	FY 16,	36
Controls over Personally Identifiable Information	FY 10,	9
Follow-up on the Development and Implementation of the Legal Tracking System.....	FY 11,	14
Good Shepherd Services Compliance with its Close to Home Contract	FY 17,	21
Hamilton-Madison House Child Care Center's Screening of Personnel Thru the Statewide Central Register of Child Abuse and Maltreatment.....	FY 17,	23
Harlem Dowling-West Side Center for Children & Family Services Compliance with Its Preventive Service Agreement	FY 10,	10
Investigation of Child Abuse and Maltreatment Allegations	FY 11,	16
Inwood House Foster Care Contract	FY 09,	3
Letter Report on the Monitoring of Its Employees Who Use an E-ZPass and Parking Permits While Driving City-Owned or Personally-Owned Vehicles on City Business.....	FY 14,	8
Letter Report on the Monitoring of the Community Partnership Program.....	FY 14,	9
Little Flower Children and Family Services Foster Care Contract.....	FY 07,	12
Oversight and Monitoring of the Screening of Personnel by Contracted Child Care Centers	FY 09,	4
Oversight of the Close to Home Program Non-Secure Payment	FY 16,	34
Review of Child Abuse and Neglect Investigations	FY 17,	20
Susan E. Wagner Day Center.....	FY 11,	15
The Child Center of New York Screening of Personnel Thru the Statewide Central Register of Child Abuse and Maltreatment.....	FY 17,	25
YMS Management Association Compliance with Its contract	FY 16,	31

City Clerk

Cash Controls at the Manhattan Office	FY 08,	18
Final Letter Report on Compliance with Local Law 36 Regarding Waste Prevention, Reuse And Recycling by City Agencies	FY 17,	28
Inventory Practices Over Major Office Equipment	FY 13,	11
Office Equipment Inventory Practices	FY 17,	26

City Council

Other Than Personal Service Expenditures.....	.FY 08,	20
---	---------	----

City Planning, Department of

Adherence to Executive Order 120 Concerning Limited English Proficiency	FY 11,	18
Financial and Operating Practices	FY 11,	20
Letter Report on Compliance with Local Law 36.....	FY 15,	15

City University of New York

Operating Practices of the Adult Literacy/GED Program	FY 14,	10
Operating Practices of the College Discovery Program	FY 08,	22

Citywide Administrative Services, Department of

Access Controls over Its Computer Systems	FY 17,	31
Administration of the Sales of Surplus City-Owned Real Estate	FY 08,	24
Collection of Rent Arrears.....	FY 08,	25
Compliance with Local Law 20 and Placement of Automated External Defibrillators.....	FY 17,	33
Development and Implementation of the Capital Asset Management System.....	FY 07,	14
Energy Conservation Efforts	FY 16,	38
Management of City Office Space	FY 15,	17
Report on the Sale of Two Deed Restrictions Governing Property Located at 45 Rivington Street	FY 17,	30
Use of Purchasing Cards	FY 12,	8

Civil Service Commission

Financial and Operating Practices	FY 08,	27
Financial and Operating Practices	FY 17,	35

Civilian Complaint Review Board

Adherence to Executive Order 120 Concerning Limited English Proficiency	FY 11,	22
Controls over Its Inventory of Computer and Computer-Related Equipment	FY'13,	12
Follow-up on the Case Management Practices	FY 09,	7
Letter Report on Compliance with Local Law 36.....	FY 15,	19

Collective Bargaining, Office of

Letter Report on the Compliance with Local Law 36.....	FY 15,	21
Procurement Practices	FY 08,	28

Community Boards

Bronx #1 to 12	Financial and Operating Practices	FY 07,	16
Bronx #1 to 12	Financial and Operating Practices	FY 11,	25
Bronx #1 to 12	Office Equipment Inventory Practices	FY 17,	37
Brooklyn #1 to 18	Inventory Practices Over Major Office Equipment	FY 13,	13
Brooklyn #1 to 18	Office Equipment Inventory Practices	FY 17,	39
Manhattan #1 to 12	Office Equipment Inventory Practices	FY 09,	9

Community Boards (cont'd)

Manhattan #1 to 12	Compliance of Meeting and Public Hearing Requirements	FY 12,	10
Manhattan #1 to 12	Office Equipment Inventory	FY 16,	40
Queens #1 to 14	Financial and Operating Practices	FY 07,	18
Queens #1 to 14	Inventory Practices Over Major Office Equipment	FY 13,	15
Queens #1 to 14	Office Equipment Inventory Practices	FY 17,	41
Staten Island #1, 2, 3	Financial and Operating Practices	FY 07,	20
Staten Island #1, 2, 3	Financial and Operating Practices	FY 10,	13
Staten Island #1, 2, 3	Office Equipment Inventory Practices	FY 15,	23

Comptroller, Office of the

Cost Allocation Plan Fiscal Year 2006	FY 07,	21
Cost Allocation Plan Fiscal Year 2007	FY 08,	31
Cost Allocation Plan Fiscal Year 2008	FY 09,	10
Cost Allocation Plan Fiscal Year 2009	FY 10,	15
Cost Allocation Plan Fiscal Year 2010	FY 11,	27
Cost Allocation Plan Fiscal Year 2011	FY 12,	11
Cost Allocation Plan Fiscal Year 2012	FY 13,	17
Cost Allocation Plan Fiscal Year 2013	FY 14,	12
Cost Allocation Plan Fiscal Year 2014	FY 15,	25
Cost Allocation Plan Fiscal Year 2015	FY 16,	42
Cost Allocation Plan Fiscal Year 2016	FY 17,	43

Conflicts of Interest Board

Procurement and Inventory Practices	FY 09,	11
---	--------	----

Consumer Affairs, Department of

Compliance Inspections	FY 16,	43
Controls over Resolving Consumer Complaints	FY 12,	12
Development and Implementation of the Accela System	FY 17,	44
Imprest Fund	FY 10,	16
Internal Controls Over the Processing of Violation and Collection of Fines	FY 07,	22
Letter Report on Compliance with Local Law 36	FY 14,	13

Correction, Board of

Letter Report on Compliance with Local Law 36	FY 16,	45
Letter Report on the Monitoring of Its Employees Who Drive City-Owned or Personally-Owned Vehicles on City Business	FY 13,	18
Purchasing, Timekeeping, and Payroll Practices	FY 08,	32

Correction, Department of

Engineering Audit Office's Compliance with Comptroller's Directive #7	FY 15,	26
Letter Report on the Monitoring of Its Employees Who Use an E-ZPass and Parking Permits While Driving City-Owned or Personally-Owned Vehicles on City Business.....	FY 14,	15
Samaritan Village Contract to Operate the Rikers Island Discharge Enhancement Program.....	FY 07,	24

Criminal Justice Coordinator, Office of

Controls over Billings and Payments for Work by Panel Members in the Assigned Counsel Plan.....	FY 09,	13
--	--------	----

Cultural Affairs, Department of

Compliance of Carnegie Hall Corporation's Special Program Fund with Its City Lease Agreement	FY 13,	21
Letter Report on Compliance with Local Law 36.....	FY 14,	17
Process for Awarding Program Grants to Cultural Organizations	FY 10,	18

Design Commission

Controls over the Design Review Process.....	FY 12,	14
--	--------	----

Design and Construction, Department of

Administration of the Minority-and Women-Owned Business Enterprise Program	FY 16,	47
Compliance with the Minority-and Women-Owned Business Enterprise Program.....	FY 11,	31
Controls Over Contractor-Provided Vehicles	FY 07,	26
Follow-up on the Controls over Contractor-Provided Vehicles.....	FY 11,	30
Job Ordering Contracting.....	FY 12,	16
Letter Report on Compliance with Local Law 36.....	FY 15,	29

Design and Construction, Department of

Oversight of Turner/STV Joint Venture's Construction Management Contract For the New Police Academy.....	FY 15,	31
Recoupment of Change Order Costs.....	FY 11,	28

District Attorney

Bronx County	Controls over Its Inventory of Computer and Computer- Related Equipment	FY 13,	23
Bronx County	Other Than Personal Service Expenditures.....	FY 07,	28
Kings County	Other Than Personal Service Expenditures.....	FY 09,	15
Kings County	Controls Over Computer and Electronic Equipment	FY 12,	18
New York County	Procurement Practices	FY 08,	34
New York County	Deferred Prosecution and Non-Prosecution Agreements	FY 10,	20

District Attorney (cont'd)

New York County	Final Letter Report on the Administration of the Deferred Prosecution and Non-Prosecution Agreements	FY 17,	46
Queens County	Financial and Operating Practices	FY 08,	36
Queens County	Inventory Controls over Computer and Computer-related Equipment	FY 12,	20
Richmond County	Financial and Operating Practices	FY 09,	17
Richmond County	Inventory Controls over Computer and Computer-related Equipment	FY 12,	21

Economic Development Corporation

Administration of Public Purpose Funds	FY 12,	24
Coney Island Development Corporation's Financial and Operating Practices	FY 12,	23
Contracts Related To Environmental and Other Engineering Services.....	FY 14,	19
Letter Report on the Compliance with Local Law 36.....	FY 15,	33
Oversight of Turner Construction Company's Contract for Facility and Construction Management Service.....	FY 11,	34

Education, Department of

Administration of New York State Standardized Tests.....	FY 10,	27
Administration of the Early Grade Class Size Reduction Program.....	FY 10,	25
Adjudication of Alleged Teacher Misconduct and Incompetence Cases.....	FY 15,	39
Allocation of Title I Funding to Public Schools	FY 17,	48
Awarding of Milk Distribution Contracts	FY 14,	25
Calculation of High School Graduation Rates.....	FY 10,	29
Champion Learning Center Compliance with the Supplemental Education Services Vendor Agreement.....	FY 12,	31
Compliance of Vanguard H.S. with DOE's Procurement Guidelines for Small Dollar Purchases.....	FY 10,	24
Compliance with Physical Education Regulations in Elementary Schools	FY 12,	29
Compliance with Reading First Program Spending Guidelines.....	FY 10,	22
Controls for Ensuring that Its High School Graduates Have Met Graduation Requirements.....	FY 15,	41
Controls Over High School Progress Reports.....	FY 11,	38
Controls Over Non-Competitive & Limited-Competitive Contracts	FY 15,	43
Controls over the Monitoring of Individual Consultants for Mandated Services.....	FY 13,	29
Controls over the Small Item Payment Process of Its Schools within Children First Network 404.....	FY 16,	49
Controls over the Small Item Payment Process of Its Schools within Children First Network 603.....	FY 16,	51
Controls Over the Use of Procurement Cards At Schools Supported by Children's First Network 106.....	FY 13,	25
Controls Over Universal Pre-Kindergarten Payments to Non-Public Schools in Regions 6 and 7	FY 07,	33

Education, Department of (cont'd)

Custodial Supply Management Contract with Strategic Distribution, Inc.....	FY 14,	27
Effectiveness in Following Up and Resolving School Bus-Related Complaints	FY 08,	45
Efforts to Address Student to Student Harassment, Intimidation, and/or Bullying in		
Compliance with Chancellor's Regulation A-832	FY 13,	33
Efforts To Alleviate Overcrowding in School Buildings.....	FY 15,	35
Follow-up of Other Than Personal Services Expenditures of Schools – Regional Operations		
Center for Regions 9 and 10.....	FY 07,	30
Food Distribution and Vendor Contracts.....	FY 12,	34
Follow-up of Other Than Personal Services Expenditures of Schools – Regional Operations		
Center for Region 3 and District 75	FY 07,	32
High School Application Process for Screened Programs	FY 13,	31
Letter Report on the Controls over Payments for Carter Cases by the Bureau of		
Non-Public Schools Payments.....	FY 14,	23
Implementation of High Speed Internet Connectivity in New York City Public		
Middle Schools	FY 17,	52
Letter Report on the Payments to Navigant Consulting, Inc.....	FY 14,	24
Letter Report on the Provision of Assistive Technology Devices	FY 13,	27
Monitoring and Tracking of Special Education Services		
For Elementary School Students	FY 07,	34
NYC21C Project	FY 13,	24
Other Than Personal Services Expenditures of Schools – Regional Operations		
Center for Region 8 and Alternative High Schools and Programs.....	FY 08,	37
Other Than Personal Services Expenditures of Schools – Regional Operations		
Center for Regions 4 and 5.....	FY 08,	38
Other Than Personal Services Expenditures of Schools – Regional Operations		
Center for Regions 6 and 7	FY 08,	39
Other Than Personal Services Expenditures of Schools – Regional Operations		
Center for Regions 1 and 2.....	FY 08,	41
Oversight of Computer Hardware Purchased through the Apple Inc. and Lenovo		
Inc. Contracts.....	FY 15,	37
Oversight of Qualifications of School Bus Drivers and Attendants Employed		
By School Bus Company Contractors.....	FY 17,	50
Performance of the Achievement Reporting and Innovation System	FY 12,	26
Performance of the Children First Network 406	FY 13,	28
Planning and Allocation of Funds to Community Based Organizations for		
Universal Pre-Kindergarten Programs	FY 12,	36
Processes for Reviewing and Approving Lump-Sum Payments		
for Unused Leave Time of Pedagogical Managers	FY 07,	30
Procurement of Direct Student Services	FY 12,	27
Reporting of Violent, Disruptive, and Other Incidents at New York City		
Public High Schools.....	FY 08,	44
School Food Safety Program.....	FY 11,	36
Special Education Student Information System	FY 14,	21
Travel Expenses of the Central Office	FY 08,	42
Utilization of Absent Teacher Pool.....	FY 12,	32

Elections, Board of

Development and Implementation of the S-Elect Project.....	FY 07,	36
Inventory Practices for Office Equipment and Voting Machines.....	FY 16,	53
Procurement Practices	FY 12,	38

Emergency Management, Office of

Controls Over Its Inventory of Emergency Supplies.....	FY 12,	39
Letter Report on the Compliance with Local Law 36.....	FY 15,	45

Environmental Control Board

Reliability and Accuracy of the Notices of Violation Data in the Computer Systems	FY 09,	21
--	--------	----

Environmental Protection, Department of

Billing and Collecting of Water and Sewer Charges from Hotels	FY 11,	40
Billing and Collecting of Water and Sewer Charges from Private Hospitals.....	FY 08,	48
Controls over the Billing of Water and Sewer Charges of Residential Properties.....	FY 09,	22
Controls over the Issuance and Depletion of Credits from Its Reimbursable Metering Program	FY 07,	38
Fire Hydrant Repair Efforts	FY 11,	41
Job Order Contracting	FY 08,	49
Letter Report on the Compliance with Local Law 36.....	FY 15,	49
Monitoring of Prime Contracts with Subcontracting Goals Covered by Local Law 129.....	FY 12,	40
Oversight of Costs to Construct the Croton Water Treatment Plant.....	FY 10,	33
Procurement Practices and Payment Process for Professional Services	FY 15,	47
Progress in Constructing the Croton Water Treatment Plant	FY 10,	32
Reliability and Accuracy of the Automated Meter Reading Data.....	FY 14,	29
Recoupment of Change Order Costs for the Bowery Bay Water Pollution Control Plant Upgrade.....	FY 13,	35

Equal Employment Practices Commission

Compliance with Its Charter Mandate to Audit City Agencies	FY 09,	24
Final Letter Report on the Compliance with Local Law 36 Regarding Waste Prevention, Reuse and Recycling.....	FY 17,	54
Follow-up on Compliance with Its Charter Mandate to Audit City Agencies.....	FY 12,	42

Finance, Department of

Administration of the Cooperative Condominium Tax Abatement Program	FY 16,	61
Administration of the Disabled Homeowners' Exemption Program.....	FY 15,	53
Administration of the Payments in Lieu of Taxes Program.....	FY 16,	57
Administration of the School Tax Relief Program.....	FY 15,	55

Finance, Department of (cont'd)

Administration of Senior Citizen Rent Increase Exemption Program	FY 12,	50
Administration of the Senior Citizen Homeowner's Exemption Program.....	FY 17,	56
Administration of the Veterans' Exemption Programs.....	FY 17,	60
Calculation and Application of the J-51 Tax Benefits for Properties in Brooklyn.....	FY 11,	45
Calculation and Application of the J-51 Tax Benefits for Properties in Manhattan.....	FY 09,	25
Compliance with Executive Order 120 Regarding Limited English Proficiency	FY 17,	66
Development and Implementation of the Computer Assisted Mass Appraisal System.....	FY 12,	43
Efforts to Collect Outstanding Parking Fines from Participants in Its Regular Fleet Program.....	FY 13,	41
Efforts to Collect Outstanding Parking Fines from Participants In Its Stipulated Fine and Commercial Abatement Programs.....	FY 13,	38
Final Letter Report on the Follow-Up Review of the Removal of Cooperative Condominium Tax Abatements for the Ineligible Properties Identified in Our Recent Audit (SR16-055A).....	FY 16,	65
Final Letter Report on the Follow-up Review of the Removal of School Tax Relief Exemptions for the Ineligible Properties Identified in Our Recent Audit (FM15-070A)	FY 17,	62
Final Letter Report on Compliance with Local Law 25 Regarding Translation Of Agency Website	FY 17,	67
Financial Controls over Cash Receipts at Business Centers	FY 07,	40
Follow-up on the Administration of the Senior Citizen Rent Increase Exemption Program	FY 13,	44
Hotel Room Occupancy Tax Collection Practices.....	FY 12,	48
Implementation of 421(a) Incentive Program Tax Benefits for Properties in Manhattan.....	FY 10,	36
Joint Audit with State Comptroller: Inclusion of Cell Antenna Revenue in Assessment of Real Property Taxes	FY 12,	45
Letter Audit Report on the Follow-up Audit of the Implementation of the 18-B Web System.....	FY 15,	51
Letter Report on Compliance with Local Law 36.....	FY 14,	31
Letter Report on the Calculation and Application of Property Tax Abatement Benefits For the Commercial Revitalization Program.....	FY 13,	42
Letter Report on Real Property Income and Expense Statement Filing Process	FY 13,	40
Letter Report on Recordkeeping and Reporting of Outstanding Parking Summonses Issued to Diplomats and Consuls.....	FY 12,	44
Payments in Lieu of Taxes Program.....	FY 11,	44
Reliability and Accuracy of Commercial Motor Vehicle Tax Data.....	FY 10,	35
Reliability and Accuracy of Commercial Rent Data.....	FY 13,	37
Reliability and Accuracy of General Corporation Tax Data	FY 16,	55
Reliability and Accuracy of Utility Tax Data.....	FY 11,	43
Tax Classification of Real Property in the Borough of the Bronx.....	FY 17,	58
Tax Classification of Real Property in the Borough of Brooklyn	FY 16,	59
Tax Classification of Real Property in the Borough of Queens	FY 16,	63
Tax Classification of Real Property in Staten Island.....	FY 17,	64
Tax Classification of Vacant Lots	FY 14,	33
Valuation of Class 2 Properties.....	FY 12,	47

Financial Information Systems Agency

Financial and Operating Practices	FY 10,	38
Letter Report on Compliance with Local Law 36.....	FY 14,	35

Fire Department

Administration of its Bank Accounts.....	FY 07,	42
Automatic Vehicle Location System.....	FY 12,	52
Controls of the Inspection of Fire Alarm Systems	FY 07,	43
Controls over the Laboratory Unit's Inspections of Establishments that Contain Hazardous Materials.....	FY 11,	47
Controls over the Professional Certification Process of the Fire Alarm Inspection Unit.....	FY 10,	40
Expenditures Submitted by PURVIS Systems Incorporated.....	FY 13,	46
Follow-up on Procedures for Replacement of Front-line Vehicles	FY 09,	27
Performance Indicators as Reported in the Mayor's Management Report.....	FY 12,	53
Use of Procurement Cards	FY 08,	54
Use of Purchasing Cards.....	FY 16,	67

Health & Hospitals Corporation

Compliance with Financial Provisions of Ambulance and Pre-hospital EMS Memo of Understanding.....	FY 10,	42
Evaluation of the Efforts to Manage Emergency Department Wait Times by Kings County, Lincoln, and Elmhurst Hospitals.....	FY 15,	57
Harlem Hospital Affiliation Agreement with the Columbia University Medical Center.....	FY 11,	49
Inventory Controls of North Central Bronx Hospital over Noncontrolled Drugs	FY 11,	52
Inventory Controls over Noncontrolled Drugs at Coney Island Hospital.....	FY 09,	29
Lincoln Medical Center and Mental Health Center's Affiliation Agreement with the Physician Affiliate Group of New York	FY 15,	58
Possible Misappropriation of Noncontrolled Drugs at Coney Island Hospital	FY 08,	56
Provision of Mammogram Services	FY 11,	50

Health and Mental Hygiene, Department of

Animal Care and Control of New York City, Inc.'s Financial and Operating Practices	FY 15,	62
Cash Accountability and Controls at the Office of Vital Records	FY 07,	45
Final Letter Report on Fiscal Monitoring Practices over the Prison Health Services Contract	FY 13,	48
Follow-up Audit on the Shelter Conditions and Adoption Efforts of Animal Care and Control of New York City	FY 12,	55
Follow-up Efforts on the Provision of Mental Health Services to Discharged Inmates	FY 15	66
Follow-up on Health Code Violations at Restaurants.....	FY 15,	70
Implementation of the Electronic Death Registration System	FY 10,	45
Inventory Controls over Nicotine Replacement Therapy Aids.....	FY 09,	31
Letter Report on the Reliability and Accuracy of the Community Health Survey	FY 15,	60
Management and Control of Overtime Costs.....	FY 12,	57
Monitoring of Early Intervention Contractors	FY 13,	49

Health and Mental Hygiene, Department of (cont'd)

Monitoring of the Background Checks of School-Age Child Care Program		
Employees	FY 10,	48
Monitoring of the Local Assisted Outpatient Treatment Program	FY 15,	68
Oversight of the Correction of Health Code Violations at Restaurants	FY 10,	46
Oversight and Monitoring of Mental Hygiene State Funds	FY 12,	58
Permitting of Child Care Centers	FY 16,	69
Response and Follow-up to Pest Control Complaints	FY 15,	64
Administration of Its Billing System and Miscellaneous		
Expense Accounts	FY 07,	47
Compliance with City Procurement Rules and Controls over Payments to		
Non-Contracted Providers	FY 10,	50
Confidential: Findings of Possible Employee Misconduct Uncovered in		
Audit SZ15-066AL	FY 16,	73
Contract of Basic Housing, Inc., to Provide Shelter and Social Services	FY 10,	52

Homeless Services, Department of

Controls over Billing and Payments Made to Aguila, Inc.	FY 12,	60
Controls over the Determination of Eligibility of Temporary Housing Benefits to		
Homeless Families	FY 10,	54
Controls over the Shelter Placement and the Provision of Services to Families with		
Children	FY 16,	71
Down and Out: How New York City Places Its Homeless Shelters.....	FY 13,	52
Follow-up on Controls Over Billing and Payments Made to Aguila, Inc.....	FY 14,	37
Follow-up on the Controls over Computer Equipment	FY 08,	57
Investigation into the Provision of Child Care Services in New York City		
Homeless Shelters.....	FY 17,	71
Letter Audit Report on Monitoring of Their Employees Who Drive City-Owned		
Or Personally-Owned Vehicles on City Business.....	FY 15,	77
Letter Audit Report on the Development and Implementation of the Client Assistance		
Re-housing Enterprise System	FY 15,	72
Letter Report on Controls over Its Count of Unsheltered Homeless Youths	FY 15,	73
Management and Control of Overtime Costs.....	FY 12,	62
Monitoring of Its Employees Who Use E-Z Passes and Parking Permits While		
Driving City-Owned or Personally-Owned Vehicles on City Business.....	FY 15,	79
Monitoring of the Homebase Program	FY 13,	51
Monitoring of the Work Advantage Program	FY 11,	54
Oversight of Contractors Hired to Assist Individuals and Families Displaced by		
Hurricane Sandy	FY 15,	75
Samaritan Daytop Village Compliance with Its Contracts	FY 17,	69

Housing Authority

Controls over Its Inventory of Equipment and Supplies.....	FY 15,	85
Criminal Background and Sex Offense Checks of Its Housing Residents	FY 11,	56
Development and Implementation of the Improving Customer		
Experience Initiative.....	FY 13,	54
Efforts to Address Tenant Requests for Repairs.....	FY 08,	60

Housing Authority (cont'd)

Efforts to Inspect, Maintain, and Repair Passenger Elevators	FY 11,	57
Efforts to Maximize Federal Funding, Enhance Revenue, and Achieve Costs Savings.....	FY 15,	80
Emergency Preparedness	FY 16,	76
Follow-up on the Resident Employment Program.....	FY 08,	59
Follow-up on the User Access Controls of the Tenant Selection System and Tenant Selection and Assignment Plan System.....	FY 10,	56
Letter Report on the Use of Corporate Credit Cards.....	FY 12,	65
Maintenance and Repair Practices	FY 16,	74
Management of Vacant Apartments	FY 15,	87
Oversight of Contracts Involving Building Envelope Rehabilitation	FY 17,	72
Oversight of the Construction Management/Build Program	FY 12,	64
Procedures for the Verification of Section 8 Housing Choice Voucher Program Participant-Reported Information	FY 15,	82
Section 3 and Resident Employment Programs	FY 15,	89
Timeliness of the Renovation of Vacant Apartments	FY 07,	49

Housing Development Corporation

Administration of the Mitchell-Lama Repair Loan Program.....	FY 13,	56
--	--------	----

Housing Preservation & Development, Department of

Administration of Its Family Self Sufficiency Escrow Account	FY 13,	58
Administration of Its Relocation Shelter	FY 12,	67
Administration of Its 8A Section 17 Account	FY 12,	68
Administration of the J-51 Tax Incentive Program	FY 07,	51
Administration of the Minority-and Women-Owned Business Enterprise Program	FY 16,	80
Alternative Enforcement Program.....	FY 13	59
Controls over the Awarding of Housing Incentive Projects.....	FY 17,	76
Cornerstone Program	FY 10,	59
Development of City-Owned Vacant Lots	FY 16,	78
Disbursement of Its Family Self-Sufficiency Program Funds	FY 14,	39
Efforts to Collect Outstanding Money Judgments	FY 17,	74
Engineering Audit Office's Compliance with Comptroller's Directive No. 7	FY 17,	78
Follow-up on the Section 8 Housing Choice Voucher Program	FY 10,	58
Handling of Housing Maintenance Complaints	FY 15,	93
Monitoring of Building Owners' Compliance with Affordable Housing Provisions and Requirements	FY 16,	82
Monitoring of Subcontracts Covered by Local Law 129.....	FY 11,	60
Monitoring of the Award, Transfer, and Succession of the Mitchell-Lama Apartments	FY 08,	62
Oversight of the Housing Lottery.....	FY 13,	60
Performance Indicators as Reported in the Mayor's Management Report.....	FY 12,	69
Procedures for the Verification of Section 8 Housing Choice Voucher Program Participant-Reported Information.....	FY 15,	91
Reliability and Integrity of the Emergency Repair Program Data	FY 09,	33

Human Resources Administration

Awarding of Non-Competitive and Limited-competitive Contracts	FY 12,	72
Compliance with Purchasing Directives	FY 09,	35
Controls of the Bureau of Eligibility Verification over the Investigation of Cash-Assistance Applicants	FY 09,	36
Controls over Its Miscellaneous, Employee, and Imprest Fund Accounts.....	FY 17,	80
Controls over Payments to Vendors Who Provide Emergency Housing to Development and Implementation of the Medical Assistance Tracking Information System	FY 08,	64
Employment Services and Placements Efforts for Public Assistance Recipients	FY 07,	53
Expedited Processing of Food Stamp Applications.....	FY 11,	65
Final Letter Report on Monitoring of Its Employees Who Use an E-ZPass and Parking Permits While Driving City-Owned or Personally-Owned Vehicles on City Business	FY 15,	97
Fiscal Oversight of Personal Care Service Providers	FY 09,	37
Follow-up of Clients' Permanent Housing Applications by the HIV/AIDS Services Administration	FY 07,	55
Follow-up on the Compliance with Purchasing Directives.....	FY 11,	62
Follow-up on the Development and Implementation of the Paperless Office System	FY 10,	61
Letter Report on Monitoring of Its Employees Who Drive City-Owned or Personally- Owned Vehicles on City Business	FY 14,	41
Monitoring and Disposition of Complaints Made Against Home Care Attendants.....	FY 15,	95
Monitoring and Oversight of Vendors who Provide Housing to Clients of the HIV/AIDS Services Administration	FY 16,	84
Oversight of the WeCARE Program Contractors	FY 08,	66
Real Estate Tax Charges on Space Leased at 180 Water Street	FY 04,	80
WeCARE Contract with Arbor Education and Training	FY 11,	63

Human Rights, Commission on

Adherence to Executive Order 120 Concerning Limited English Proficiency	FY 11,	67
Financial and Operating Practices	FY 08,	68
Processing of Complaints	FY 15,	98

Independent Budget Office

Financial and Operating Practices	FY 10,	63
Final Letter Report on Inventory Practices	FY 17,	82
Response to Information Requests.....	FY 13,	62

Industrial Development Agency

Project Financing, Evaluation, and Monitoring Process	FY 12,	74
---	--------	----

**Information Technology & Telecommunications,
Department of**

Administration of Wireless Devices and Services	FY 13	63
Development and Implementation of ACCESS NYC	FY 07,	57
Hewlett-Packard System Integration Contract Expenditures.....	FY 12,	77
Letter Report on Compliance with Local Law 36.....	FY 14,	42
Letter Report on Expenditures Submitted by Accenture LLP for Its Access NYC Program Contract.....	FY 14,	44
Project Management for the Emergency Communications Transformation Program	FY 12,	76
Security Accreditation Process	FY 11,	69

Investigation, Department of

Controls over Personnel, Payroll, and Timekeeping Practices.....	FY 10,	65
--	--------	----

Labor Relations, Office of

Compliance with the Medicare Part B Reimbursement Program	FY 12,	80
---	--------	----

Juvenile Justice, Department of

Oversight of Father Flanagan's Group Home Contract.....	FY 08,	70
Oversight of the St. John's Group Home Contract	FY 10,	67

Landmarks Preservation Commission

Internal Controls over Permits.....	FY 10,	69
Issuance of Certificates of No Effect	FY 17,	84

Law Department

Controls over Overtime Payments	FY 11,	71
Letter Report on Compliance with Local Law 36.....	FY 14,	46

Mayor's Office of Film, Theatre and Broadcasting

Operating and Financial Practices	FY 15,	100
---	--------	-----

Mayor's Office of Housing Recovery Operations

Administration of the New York City Build It Back Single Family Program.....	FY 15,	102
--	--------	-----

Metropolitan Transportation Authority/ New York City Transit

Efforts to Inspect, Repair and Maintain Elevators and Escalators.....	FY 11,	109
Follow-up Audit on Vendor Contracts to Provide Access-A-Ride Services	FY 12,	106
Follow-up on Efforts to Inspect, Repair, and Maintain Elevators, and Escalators	FY 14,	59
Letter Audit Report on Phase II of the Wireless Voice and Data Services in New York City's Subway System as Provided by Transit Wireless	FY 16,	88

Metropolitan Transportation Authority/ New York City Transit (cont'd)

Letter Audit Report on Phase III of the Wireless Voice and Data Service in New York City's Subway System as Provided by Transit Wireless	FY 17,	88
Letter Audit Report on Phase IV of the Wireless Voice and Data Service in New York City's Subway System as Provided by Transit Wireless	FY 17,	90
Letter Audit Report on the Wireless Voice and Data Services in New York City's Subway System as Provided by Transit Wireless	FY 15,	110
Maintenance and Repair of Subway Stations	FY 10,	91
New York City Transit's Efforts to Inspect and Repair Elevators and Escalators	FY 17,	86
Oversight of the Access-A-Ride Program	FY 16,	86
Performance of New York City Express Buses Operated by the Metropolitan Transportation Authority	FY 15,	107
Processing of MetroCard Claims	FY 15,	109
Subway Service Diversions for Maintenance and Capital Projects	FY 12,	108
Track Cleaning and Painting of Subway Stations	FY 15,	105
Vendor Contracts to Provide Access-A-Ride Services	FY 10,	90

Multi-Agency

Adherence of the Department of Education and the Department of Health and Mental Hygiene to Student Vision and Hearing Screening Program Regulations	FY 08,	72
A Compilation of Audits of the City's Oversight of Construction Management Consultants	FY 13,	66
A Compilation of Audits of the Minority and Women-Owned Business Enterprises Program	FY 11,	73
A Compilation of Audits of Three City Agencies Efforts to Recoup Design Error and Omission Change Order Costs	FY 13,	65
A Compilation of Audits on Overtime Payments Made to Non-Pedagogical Civilian Employees	FY 12,	84
A Compilation of System Development Audits and an Assessment of Citywide Systems - Development Strategy	FY 10,	72
A Review of the Management and Fiscal Controls over the City's ECTP Upgrade to its Emergency 911 System	FY 15,	111
A Study on the Compliance of New York City Agencies with Executive Order 120 and Recommendations for Enhancing Citywide Language Access	FY 11,	72
Board of Education and the School Construction Collection and Reporting of School Capacity and Utilization Data by the Department of Education and the School Construction Authority	FY 12,	83
City's Oversight over Privately Owned Public Spaces	FY 17,	96
Compilation Letter Report on the Multi Agencies' Monitoring of Their Employees Who Drive City-Owned or Personally-Owned Vehicles on City Business	FY 14,	48
Department of Environmental Protection's Billing of Water and Sewer Usage For Properties Sold by the Economic Development Corporation	FY 13,	74
Educational Services Offered by the Departments of Correction and Education to Young Inmates at Rikers Island	FY 17,	94
Financial and Operating Practices of the Bryant Park Corporation and Bryant Park Management Corporation	FY 16,	89

Multi-Agency (cont'd)

Financial and Operating Practices of the New York City Water and Sewer System and the Determination of Water Rates	FY 14,	51
Financial Practices and Procedures of the Pomonok Neighbor Center	FY 07,	58
Follow-up of Window Guard Violations by the Department of Health and Mental Hygiene and the Department of Housing Preservation and Development	FY 11,	75
Follow-up on Licensing and Oversight of the Carriage-Horse Industry by the Departments of Health and Mental Hygiene and Consumer Affairs	FY 10,	71
Letter Report on Administrative Oversight Entities' Monitoring of Employees Who Drive City-Owned or Personally-Owned Vehicles on City Business	FY 13,	67
Letter Report on Human Services Agencies' Monitoring of Their Employees Who Drive City-owned or Personally-owned Vehicles on City Business	FY 14,	50
Letter Report on the Legal Affairs Agencies' Monitoring of Their Employees Who Drive City-owned or Personally-owned Vehicles on City Business	FY 12,	82
Letter Report on Legal Affairs Agencies' Monitoring of Their Employees Who Use An E-ZPass and Parking Permits While Driving City-Owned or Personally-Owned Vehicles on City Business	FY 13,	69
Letter Report on the Public Administrators' Monitoring of Their Employees Who Drive City-Owned or Personally-Owned Vehicles on City Business	FY 13,	72
Letter Report on the Public Safety Agencies' Monitoring of Their Employees Who Drive City-owned or Personally-owned Vehicles on City Business	FY 12,	81
Letter Report on the Public Safety Agencies' ("Non-Uniformed Services") Agencies' Monitoring of Their Employees Who Use an E-ZPass and Parking Permits While Driving City-Owned or Personally-Owned Vehicles on City Business	FY 13,	70
Letter Report on the Public Safety Agencies' ("Uniformed Services") Monitoring of Their Employees Who Use an E-ZPass and Parking Permits While Driving City-Owned or Personally-Owned Vehicles on City Business	FY 13,	73
Licensing and Oversight of the Carriage-Horse Industry by the Departments of Health and Mental Hygiene and Consumer Affairs	FY 07,	61
Managerial Lump Sum Payments	FY 07,	63
Managerial Lump Sum Payments	FY 08,	74
Managerial Lump Sum Payments	FY 09,	42
Managerial Lump Sum Payments	FY 10,	77
Managerial Lump Sum Payments	FY 11,	77
Managerial Lump Sum Payments	FY 12,	86
Managerial Lump Sum Payments	FY 13,	76
Managerial Lump Sum Payments	FY 14,	53
Managerial Lump Sum Payments	FY 15,	114
Managerial Lump Sum Payments	FY 16,	94
Metropolitan Transportation Authority and the Office of Management and Budget's Administration of Various Land-Acquisition Fiduciary Accounts	FY 07,	59
Monitoring of Franchise, Concession, License, and Lease Agreements by City Agencies	FY 07,	60
Oversight of the Department of Citywide Administrative Services and the Department Of Sanitation over New York City's Contract with Genuine Parts Company	FY 17,	92
Processes of the Environmental Control Board and the Department of Finance to Collect Fines for Violations Issued by the Department of Buildings	FY 09,	40

Multi-Agency (cont'd)

Provision of Vision Screening Services to Elementary School Students in the New York City Charter Schools.....	FY 10,	74
Report on the Potential Duplication, Overlap, and Fragmentation of New York City's Employment-Related Programs.....	FY 16,	92
Welfare Fund Payment Vouchers (High Risk)	FY 07,	64
Welfare Fund Payment Vouchers (High Risk)	FY 08,	75
Welfare Fund Payment Vouchers (High Risk)	FY 09,	43
Welfare Fund Payment Vouchers (High Risk)	FY 10,	78
Welfare Fund Payment Vouchers (High Risk)	FY 11,	78
Welfare Fund Payment Vouchers (High Risk)	FY 12,	87
Welfare Fund Payment Vouchers (High Risk)	FY 13,	77
Welfare Fund Payment Vouchers (High Risk)	FY 13,	77
Welfare Fund Payment Vouchers (High Risk)	FY 14,	54
Welfare Fund Payment Vouchers (High Risk)	FY 15,	115

Parks and Recreation, Department of

Administration of the 59 th Street Recreation Center Open-Space Improvements and Fiduciary Account.....	FY 07,	65
Compliance with Local Law 20 and the Placement of Automated External Defibrillators.....	FY 16,	95
Compliance of the Central Park Conservancy with Its Recreation Management Agreement	FY 09,	44
Controls over Its Disaster-Related Costs That Could Be Reimbursed by the Federal Emergency Management Agency.....	FY 15,	118
Controls over the Awarding of Concessions	FY 12,	94
Effectiveness of the Parks Inspection Program (Bronx Playgrounds)	FY 12,	88
Effectiveness of the Parks Inspection Program (Brooklyn Playgrounds).....	FY 12,	89
Effectiveness of the Parks Inspection Program (Manhattan Playgrounds).....	FY 12,	91
Effectiveness of the Parks Inspection Program (Queens Playgrounds).....	FY 12,	90
Effectiveness of the Parks Inspection Program (Staten Island Playgrounds).....	FY 12,	92
Efficiency in Addressing Complaints Related to Tree Removal	FY 07,	66
Final Letter Audit Report on the Monitoring of Its Employees Who Drive City-Owned Or Personally-Owned Vehicles on City Business.....	FY 17,	100
Financial and Operating Practices of the West 79 th Street Boat Basin	FY 08,	76
Financial and Operating Practices of the World's Fair Marina	FY 11,	79
Health and Safety Conditions of Public Swimming Pools	FY 14,	55
Implementation of Croton Water Filtration Plant Park Projects	FY 13,	80
Maintenance and Repairs of the City's Playgrounds (Bronx Borough Office)	FY 13,	88
Maintenance and Repairs of the City's Playgrounds (Brooklyn Borough Office).....	FY 13,	85
Maintenance and Repairs of the City's Playgrounds (Manhattan Borough Office).....	FY 13,	82
Maintenance and Repairs of the City's Playgrounds (Queens Borough Office)	FY 13,	83
Maintenance and Repairs of the City's Playgrounds (Staten Island Borough Office).....	FY 13,	87
Monitoring of Its Employees Who Use E-ZPasses and Parking Permits While Driving City-Owned or Personally-Owned Vehicles on City Business.....	FY 17,	98
Monitoring of Subcontracts Covered by Local Law 129	FY 11,	84
Oversight of Capital Improvements by Concessionaires.....	FY 11,	81

Parks and Recreation, Department of (cont'd)

Oversight of Capital Improvement by Ferry Point Partners, LLC	FY 08,	78
Oversight of Capital Projects.....	FY 13,	78
Placement of Automated External Defibrillators.....	FY 11,	83
Street Tree Pruning Program.....	FY 15,	116
Use of Procurement Cards	FY 09,	46

Payroll Administration

Monitoring of the Oversight of the CityTime Project by Spherion Atlantic Enterprises LLC	FY 11,	87
Procurement Practices	FY 07,	68

Police Department

Cash and Firearm Custody Controls of the Brooklyn Property Clerk Division.....	FY 11,	89
Cash and Firearm Custody Controls of the Manhattan Property Clerk Division	FY 08,	80
Data Center	FY 07,	70
Information System Controls of the Domain Awareness System Administered By the New York City Police Department.....	FY 15,	122
Letter Audit Report on the Implementation of the Computer Aided Dispatch System by the New York City Police Department	FY 15,	120

Probation, Department of

Compliance with Executive Order 120 Regarding Limited English Proficiency	FY 15,	124
Final Letter Report on Compliance with Local Law 25 Regarding Translation of Agency Website.....	FY 17,	102
Letter Report on Compliance with Local Law 36.....	FY 16,	97
Restructuring of Information Systems.....	FY 11,	91
Vera Institute of Justice Contract to Operate the Esperanza Program.....	FY 08,	82

Public Administrator

Bronx County Financial and Operating Practices.....	FY 09,	48
Bronx County Financial and Operating Practices.....	FY 15,	126
Kings County Estate Management Practices.....	FY 09,	50
Kings County Financial and Operating Practices	FY 13,	90
Kings County Follow-up on Financial and Operating Practices.....	FY 15,	128
New York County Financial and Operating Practices	FY 07,	72
New York County Financial and Operating Practices	FY 12,	96
New York County Estate Management Practices	FY 17,	104
Richmond County Financial and Operating Practices.....	FY 10,	79
Queens County Financial and Operating Practices	FY 12,	98

Public Advocate, Office of

Controls Over Its Inventory of Computers and Computer-Related Equipment.....	FY 17,	106
Controls over Personnel, Payroll, and Timekeeping Practices.....	FY 11,	93
Purchasing and Inventory Practices.....	FY 07,	74

Public Library

Brooklyn	Follow-up on the Financial Controls	FY 08,	84
Brooklyn	Letter Report on Controls Over Internet Access.....	FY 13,	93
Brooklyn	Financial and Operating Practices.....	FY 15,	130
New York	Follow-up on the Financial Controls.....	FY 09,	52
New York	Letter Report on Controls Over Internet Access	FY 13,	95
New York	Controls over Its Financial and Operating Practices	FY 15,	131
Queens	Financial and Operating Practices	FY 16,	99
Queens	Follow-up of the Financial and Operating Practices.....	FY 08,	85
Queens	Letter Report on Controls Over Internet Access	FY 13,	97
Queens	Report of the Comptroller's Investigation into Possible Misconduct Revealed Into Possible Misconduct Revealed by the Audit of the Queens Borough Public Library.....	FY 16,	101

Records and Information Services, Department of

Procurement, Payroll, and Personnel Practices.....	FY 11,	95
--	--------	----

Retirement Systems

BOARD OF EDUCATION

Controls over the Identification of Deceased Individuals Collecting Pension Payments	FY 12,	101
Non-Pedagogical Pensioners Working for the City after Their Retirement	FY 07,	79
Non-Pedagogical Pensioners Working for the City after Their Retirement	FY 08,	87
Non-Pedagogical Pensioners Working for the City after Their Retirement	FY 09,	54
Non-Pedagogical Pensioners Working for the City after Their Retirement	FY 10,	81
Non-Pedagogical Pensioners Working for the City after Retirement	FY 11,	99
Non-Pedagogical Pensioners Working for the City after Retirement	FY 16,	106

NYCERS

Controls over the Identification of Deceased Individuals Collecting Pension Payments	FY 12,	103
Pensioners Working for the City after Their Retirement	FY 07,	78

Retirement Systems (cont'd)

NYCERS (cont'd)

Pensioners Working for the City after Their Retirement	FY 08,	89
Pensioners Working for the City after Their Retirement	FY 09,	55
Pensioners Working for the City after Their Retirement	FY 10,	83
Pensioners Working for the City after Retirement	FY 11,	98
Pensioners Working for the City after Retirement	FY 16,	108

FIRE

Controls over the Identification of Deceased Individuals Collecting Pension Payments.....	FY 11,	96
Pensioners Working for the City after Their Retirement	FY 07,	76
Pensioners Working for the City after Their Retirement	FY 08,	88
Pensioners Working for the City after Their Retirement	FY 09,	56
Pensioners Working for the City after Their Retirement	FY 10,	81
Pensioners Working for the City after Retirement	FY 11,	97
Pensioners Working for the City after Retirement	FY 16,	110

POLICE

Controls over the Identification of Deceased Individuals Collecting Pension Payments.....	FY 11,	103
Pensioners Working for the City after Their Retirement	FY 07,	76
Pensioners Working for the City after Their Retirement	FY 08,	88
Pensioners Working for the City after Their Retirement	FY 09,	55
Pensioners Working for the City after Their Retirement	FY 10,	84
Pensioners Working for the City after Retirement	FY 11,	97
Pensioners Working for the City after Retirement	FY 16,	104

TEACHERS

Controls over the Identification of Deceased Individuals Collecting Pension Payments	FY 12,	100
Pedagogical Pensioners Working for the City after Their Retirement	FY 07,	77
Pedagogical Pensioners Working for the City after Their Retirement	FY 08,	90

Retirement Systems (cont'd)

TEACHERS (cont'd)

Pedagogical Pensioners Working for the City after Their Retirement	FY 09,	57
Pedagogical Pensioners Working for the City after		
Their Retirement	FY 10,	82
Pedagogical Pensioners Working for the City after Retirement	FY 11,	100
Pedagogical Pensioners Working for the City after Retirement	FY 16,	102

ALL SYSTEMS

City Pensioners Working as Consultants for the City after Retirement	FY 07,	81
City Pensioners Working as Consultants for the City after Retirement	FY 08,	91
City Pensioners Working as Consultants for the City after Retirement	FY 09,	59
City Pensioners Working as Consultants for the City after Retirement	FY 10,	86
City Pensioners Working as Consultants for the City after Retirement	FY 11,	101
City Pensioners Working as Consultants for the City after Retirement	FY 16,	114
Pensioners Working for New York State after Their Retirement	FY 07,	80
Pensioners Working for New York State after Their Retirement	FY 08,	92
Pensioners Working for New York State after Their Retirement	FY 09,	58
Pensioners Working for New York State after Their Retirement.....	FY 10,	85
Pensioners Working for New York State after Retirement.....	FY 11,	102
Pensioners Working for New York State after Retirement.....	FY 16,	112

Sanitation, Department of

Automatic Vehicle Location Application	FY 12,	104
Compliance with Comptroller's Directive #7 by the Engineering Audit Office	FY 08,	95
Controls Over Its Inventory of Vehicle Equipment and Supplies	FY 16,	116
Controls over the Processing of Notices of Violation Issued	FY 13,	100
Development and Implementation of the Notice of Violation Administration System	FY 08,	94
Final Letter Audit Report on the Monitoring of Its Employees Who Drive City-Owned or Personally-Owned Vehicles on City Business.....	FY 16,	118
Monitoring of Its Employees Who Use E-ZPasses and Parking Permits While Driving City-Owned or Personally-Owned Vehicles on City Business.....	FY 17,	108
Oversight of Construction Management Consultants.....	FY 13,	99
Vacant Lot Clean-up Program	FY 08,	97

School Construction Authority

Management and Oversight Over Its Contract Payment Process	FY 16,	120
--	--------	-----

Small Business Services, Department of

Administration of the Emerging Business Enterprise Program.....	FY 13,	102
Administration of the Minority- and Women-Owned Business Enterprise Program.....	FY 10,	88
Administration of the Minority-Owned Business Enterprise (M/WBE) Certification Program	FY 13,	103
Brooklyn Navy Yard Development Corporation's Leasing and Rent Collection Practices.....	FY 07,	83
Downtown Brooklyn Partnership, Inc. Financial and Operating Practices and Compliance with Its Consulting Contract.....	FY 11,	105
Financial and Operating Practices of the 5 th Avenue Business Improvement District	FY 07,	85
Financial and Operating Practices of the 34 th Street Partnership, Inc.	FY 16,	122
Financial and Operating Practices of the Jerome-Gun Hill Business Improvement District.....	FY 09,	61
Follow-up on the Administration of the Emerging Business Enterprise Program	FY 16,	124
Letter Report on Compliance with Local Law 36.....	FY 14,	57

Special Narcotics, Office of

Controls over Its Computers and Computer-Related Equipment	FY 17,	110
Financial and Operating Practices	FY 08,	99
Letter Report on the Monitoring of Employee Using City-or Personally –Owned Vehicles Conducting City Business.....	FY 13,	105

Standards and Appeals, Board of

Collection and Reporting of Revenues.....	FY 07,	87
---	--------	----

Tax Commission
(See Administrative Tax Appeals, Office of)

Financial and Operating Practices	FY 07,	89
---	--------	----

Taxi and Limousine Commission

Adherence to Executive Order 120 Concerning Limited English Proficiency	FY 11,	107
Controls over Taxi Medallions.....	FY 09,	63
Letter Audit Report on Monitoring of Drivers Who Are Licensed by the Taxi and Limousine Commission.....	FY 17,	112

Transportation, Department of

Adherence to Executive Order 120 Concerning Limited English Proficiency	FY 11,	111
Administration of the Light Pole Banner Permit Program.....	FY 13,	106
Compliance with Local Law 20 and the Placement of Automated External Defibrillators.....	FY 16	130
Controls over City Disability Parking Permits	FY 10,	94
Controls Over Payments to Consultants	FY 13,	110
Controls over the Use of Purchasing Cards.....	FY 16,	126

Transportation, Department of (cont'd)

Efforts to Address Sidewalk Defect Complaints	FY 09,	65
Follow-up on the Controls over City Disability Parking Permits.....	FY 13,	108
Installation and Maintenance of Street Name Signs	FY 17,	114
Letter Report on the Controls over the Processing of Notices of Violations by the Highway Inspection Quality Assurance Unit.....	FY 14,	60
Maintenance of Bike Share Equipment by New York City Bike Share, LLC in Compliance with its Contract.....	FY 15,	132
Oversight of Private Ferry Operators	FY 10,	96
Performance Indicators as Reported in the Mayor's Management Report.....	FY 12,	112
Remediation of Bridge Defects	FY 12,	110
Tracking of Pothole Repairs.....	FY 16,	128

**Youth and Community Development, Department of
(Formerly The Department of Youth Services)**

Compliance with Executive Order 120 Regarding Limited English Proficiency	FY 16,	132
Final Letter Report on Compliance with Local Law 25 Regarding Translation of Agency Websites	FY 17,	116
Implementation of the Community Service Block Checks by Out-of-School Time Programs.....	FY 09,	68
Letter Report on the Compliance with Local Law 36.....	FY 14,	61
Out-of-School Youth Program.....	FY 10,	98
Oversight of the Immigrant Special Initiative Contracts.....	FY 07,	91
Oversight and Monitoring Beacon Centers	FY 07,	92
Transitional Independent Living Program	FY 09,	67

SECTION V

INDEX OF NON-GOVERNMENTAL AGENCY AUDITS (FISCAL YEARS 2007-2017)

INDEX OF NON-GOVERNMENTAL AGENCY AUDITS (FISCAL YEARS 2007-2017)

Claims

Various	FY 07,	97
Various	FY 08,	103
Various	FY 09,	73
Various	FY 10,	103
Various	FY 11,	115
Various	FY 12,	117
Various	FY 13,	113
Various	FY 14,	65
Various	FY 15,	137
Various	FY 16,	137
Various	FY 17,	121

Franchises, Leases and Concessions

Alley Pond Golf Center, Inc.	FY 07,	104
American Golf/South Shore Golf Course	FY 11,	127
Astoria Studios Limited Partnership II With Its Lease Agreement	FY 07,	99
Brooklyn Army Terminal	FY 08,	108
Brooklyn Baseball Company, L.L.C., (Brooklyn Cyclones)	FY 08,	114
Carnegie Hall Corporation's Compliance with Its Lease Agreement.....	FY 13,	117
Cemusa NY LLC's Payment of Franchise Fees in Compliance with Its Coordinated Street Furniture Franchise Agreement	FY 14,	73
Central Park Boat House, LLC.....	FY 07,	105
Central Park Tennis	FY 09,	85
Circle Line-Statue of Liberty Ferry, Inc.....	FY 08,	119
Cleaning and Maintenance of Bus Stop Shelters by Cemusa, NY, LLC	FY 13,	125
Compliance of Kissena Golf LLC with Its License Agreement for the Kissena Park Golf Course	FY 17,	129
Compliance of Manhattan River Group, L.L.C. with Its License Agreements With the City	FY 17,	127
Compliance of Metro Cruise Services, L.L.C. with Its Operating Agreement for the Brooklyn Cruise Terminal.....	FY 17,	123
Compliance of Queens Ballpark Company, L.L.C. with Its City Parking Facilities Agreement	FY 17,	125
Compliance of the Catango Corporation with Its License Agreement	FY 12,	126
Compliance of the Golf Center of Staten Island, Inc. With Its License Agreement for the Silver Lake Golf Course.....	FY 15,	141
Compliance of the Marriott Marquis with Its City Lease Agreement.....	FY 13,	115
Compliance of the New York Mets with Their Lease Agreement	FY 10,	121
Compliance of South Street Seaport Associates with Its City Lease Agreements	FY 13,	119
Compliance of Statue Cruises, LLC with Its License Agreement	FY 14,	71
Compliance of Teck Gourmet Five, LLC with its Sublicense Agreement To Operate Douglaston Manor	FY 13,	123
Compliance of Transdev North America, Inc. With Its Franchise Agreement.....	FY 15,	143
Compliance of Verizon New York, Inc. with Its Cable Franchise Agreement	FY 14,	69
Concerts Foods	FY 09,	82
Concert Foods	FY 10,	111
Delancey and Essex Street Municipal Parking Garage.....	FY 09,	87

Franchises, Leases and Concessions (cont'd)

Empire City Subway	FY 10,	109
First Tee Of Metropolitan New York, Inc.	FY 07,	107
Fitmar Management Paerdegat Athletic Club	FY 10,	115
Follow-up on the Compliance of Central Park Tennis Center, Inc.	FY 12,	120
Follow-up on the Compliance of Fitmar Management, LLC.	FY 12,	124
Follow-up on the Compliance of Food Craft, Inc. (Worlds Fair Marina Restaurant and Banquet)	FY 12,	119
Follow-up on the Compliance of Lakeside Restaurant Corporation	FY 12,	122
Follow-up on the Compliance of South Beach Restaurant Corporation	FY 12,	121
Follow-up on the Compliance of Statue Cruises, LLC with Its License Agreement	FY 16,	139
Follow-up on the License Fees Due from Central Park Boathouse, LLC.	FY 12,	123
Food Craft, Inc./World Fair Marina Restaurant, Inc.	FY 10,	113
Howard Hughes Corporation's Compliance with Its City Leases for the South Street Seaport Market Place and Theatre	FY 14,	67
Lakeside Restaurant Corporation	FY 10,	119
Letter Report on World Ice Arena, LLC's Compliance with Its Lease Agreement	FY 13,	122
Level 3 Communications, Inc.	FY 11,	121
Looking Glass Networks, Inc.	FY 11,	122
Master and Maritime Contracts (July 1, 2005-June 30, 2008)	FY 10,	105
Merissa Restaurant Corporation	FY 08,	117
MDO Development Corporation	FY 11,	119
Monitoring of Lease Agreements with Dircksen & Talleyrand, Inc.	FY 12,	128
N.B.K.L. Corporation	FY 03,	140
New Leaf Café	FY 03,	144
New York One's Compliance with Its Contract Covering City Carousels	FY 11,	125
New York Skyports, Inc.	FY 08,	105
New York Yankees Lease Agreement	FY 09,	83
NYC & Company, Inc.	FY 11,	132
P & O Ports North America, Inc.	FY 09,	77
Permit Fees Due from Urban Space Holdings, Inc. and Compliance with Certain Provisions of Its City Permit	FY 16,	141
Piers 92 and 94 (January 1, 2007-December 31, 2009)	FY 10,	107
Quinn Restaurant Corporation	FY 09,	75
Randall's Island Sports Foundation	FY 11,	129
RCN Telecom Services of New York	FY 08,	111
South Beach Restaurant Corporation	FY 10,	118
Staten Island Minor League Holdings, L.L.C (Staten Island Yankees)	FY 07,	100
Staten Island Minor League Holdings, L.L.C. (Staten Island Yankees)	FY 11,	117
Sweet Concessions	FY 09,	81
Sunny Days in the Park, Inc.	FY 10,	123
Sunstone Hotel Investors, Inc. (Hilton Times Square Hotel)	FY 15,	139
TW Telecom	FY 09,	79
United Nations Development Corporation	FY 08,	107
Wollman Rink Operations, LLC	FY 08,	113
York Avenue Tennis, LLC	FY 07,	102

Rental Credits Submitted by the New York Yankees

4 th Quarter 2005 (10/1/05 – 12/31/05).....	FY 07,	109
1 st Quarter 2006 (1/1/06 – 3/31/06).....	FY 07,	109
2 nd Quarter 2006 (4/1/06 – 6/30/06).....	FY 07,	109
3 rd Quarter 2006 (7/1/06 – 9/30/06).....	FY 07,	109
4 th Quarter 2006 (10/1/06 -12/31/06).....	FY 08,	121
1 st Quarter 2007 (1/1/07 – 3/31/07).....	FY 08,	121
2 nd Quarter 2007 (4/1/07 -6/30/07).....	FY 08,	121
3 rd Quarter 2007 (7/1/07 – 9/30/07).....	FY 08,	121
4 th Quarter 2007 (10/1/07 – 12/31/07).....	FY 09,	88
1 st Quarter 2008 (1/1/08 – 3/31/08).....	FY 09,	88
2 nd Quarter 2008 (4/1/08 – 6/30/08).....	FY 09,	88
3 rd Quarter 2008 (7/1/08 – 9/30/08).....	FY 09,	88
4 th Quarter 2008 (10/1/08 – 12/31/08).....	FY 10,	125

Welfare Funds

Financial and Operating Practices of the Local 333 Insurance Fund for New York City Employees	FY 07,	110
Financial and Operating Practices of the Local 333 Insurance Fund for New York City Retirees.....	FY 07,	111
Financial and Operating Practices of the Municipal Employees Welfare Trust Fund of the International Union of Operating Engineers – Local 30.....	FY 10,	126
Financial and Operating Practices of the Municipal Retiree Employees Welfare Trust Fund of the International Union of Operating Engineers – Local 30.....	FY 10,	127
Financial and Operating Practices of the Social Service Employees Union Local 371 Administrative Fund.....	FY 11,	135
Financial and Operating Practices of the Social Services Employees Union Local 371 Legal Services and Educational Fund	FY 11,	137
Financial and Operating Practices of the Social Service Employees Union Local 371 Welfare Fund.....	FY 11,	134
Financial and Operating Practices of the Superior Officers Council Health & Welfare Fund.....	FY 10,	129
Financial and Operating Practices of the Superior Officers Council Retiree Health & Welfare Fund	FY 10,	130
Financial and Operating Practices of Union-Administered Benefit Funds with Fiscal Years Ending in Calendar Year 2004	FY 07,	113
Financial and Operating Practices of Union-Administered Benefit Funds with Fiscal Years Ending in Calendar Year 2005	FY 08,	122
Financial and Operating Practices of Union-Administered Benefit Funds with Fiscal Years Ending in Calendar Year 2006	FY 09,	92
Financial and Operating Practices of Union-Administered Benefit Funds with Fiscal Years Ending in Calendar Year 2007	FY 10,	132

Welfare Funds (cont'd)

Financial and Operating Practices of Union-Administered Benefit Funds with Fiscal Years Ending in Calendar Year 2008	FY 11,	138
Financial and Operating Practices of Union-Administered Benefit Funds with Fiscal Years Ending in Calendar Year 2009	FY 12,	129
Financial and Operating Practices of Union-Administered Benefit Funds With Fiscal Years Ending in Calendar Year 2010	FY 13,	127
Financial and Operating Practices of Union-Administered Benefit Funds With Fiscal Years Ending in Calendar Year 2011	FY 15,	146
Financial and Operating Practices of Union-Administered Benefit Funds with Fiscal Years Ending in Calendar Year 2012	FY 16,	143
Financial and Operating Practices of Union-Administered Benefit Funds With Fiscal Years Ending in Calendar Year 2013	FY 17,	136
Financial and Operating Practices of Union-Administered Benefit Funds With Fiscal Years Ending in Calendar Year 2014	FY 17,	135
Financial and Operating Practices of the United Probation Officers Association Welfare Fund	FY 09,	89
Financial and Operating Practices of the United Probation Officers Association Welfare Fund	FY 17,	131
Financial and Operating Practices of the United Probation Officers Association Retirement Welfare Fund.....	FY 09,	90
Financial and Operating Practices of the United Probation Officers Association Retirement Welfare Fund.....	FY 17,	133

SECTION VI

INDEX OF GOVERNMENT SPECIAL LETTER REPORTS (FISCAL YEARS 2011-2017)

INDEX OF GOVERNMENT SPECIAL LETTER REPORTS (FISCAL YEARS 2011-2017)

Consumer Affairs, Department of

Contract with Gartner, Inc. Related to the On-Line Services Enhancement Project	FY 13,	131
---	--------	-----

Economic Development Corporation

Revolving Loan Fund Program	FY 11,	143
-----------------------------------	--------	-----

Education, Department of

High School Applications Processing System (HSAPS)	FY 11,	144
Letter Report on the Awarding of Future Technology Associates, LLC. Contract in 2005.....	FY 12,	133
Letter Report on Efforts to Investigate and Address Reports of Bed Bugs In City Schools.....	FY 13,	132
Vendors that Have Various Unpaid Taxes, Fees, or Outstanding Violations Due the City.....	FY 11,	144

Multi-Agency

Accuracy of Unused Accrued Leave Payouts When New York City Managerial Employees Separate from Service	FY 11,	146
Letter Report on Accuracy of Unused Accrued Leave Payouts When New York City Managerial Employees Separate from Service	FY 13,	133
Letter Report on Accuracy of Unused Accrued Leave Payouts When New York City Managerial Employees Separate from Service	FY 13,	134
Letter Report on Accuracy of Unused Accrued Leave Payouts when New York City Managerial Employees Separate from City Service	FY 15,	113