



City of New York

OFFICE OF THE COMPTROLLER

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Report to the Mayor and City Council
on City Comptroller Audit Operations
Fiscal Year 2013

December 18, 2013

<http://comptroller.nyc.gov>

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JOHN C. LIU
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December 18, 2013

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

I hereby transmit the annual report on the operations of the Audit Bureau of the New York City Comptroller's Office for Fiscal Year 2013. This report is mandated under Section 93 (f) of the City Charter, which stipulates that no later than March 1 of each year the Comptroller is to provide a report to the Mayor and City Council on all major audit activities of City agencies conducted in the previous fiscal year. This year I've taken the liberty of sending this report two months earlier than usual as my term of office comes to an end.

The work of the Audit Bureau is subject to an independent external review every three years to ensure it is following the Generally Accepted Government Auditing Standards set by the U.S. General Accounting Office, which is required by the City Charter. The Audit Bureau underwent such a review in 2013. The bureau received strong commendations in an independent review of its operations. The bureau was singled out for having "identified an objective of continually improving the quality of audits conducted to better add value to the operations of the City of New York." The report noted several of the bureau's initiatives including the purchase of an audit software package that has fully automated the process of preparing and reviewing the work papers for audit engagements, and the enhanced use of computer-assisted audit techniques.

As Comptroller, I instructed my Audit Bureau to make comprehensive and vigorous use of its power of audit to both champion and pursue the achievement of efficient, effective City operations and services. When I took office, the severe national and local recessions resulted in lower tax collections at the State and City level. As a result, the City was facing looming budget deficits in the billions of dollars in each of the next several years. Therefore, it was and is critical that we root out waste, mismanagement, and inefficiency in City government. As New York City Comptroller, my audits have been crucial in accomplishing that task and in putting government resources to work to improve the lives of all New Yorkers.

My Audit Bureau met my mandate with great success. My office used its audit power to ensure that money is recouped and saved whenever and wherever possible and that waste, fraud, and abuse are continuously rooted out. During my tenure in office, the 329 audits and special reports issued by my Audit Bureau have generated a total of \$686.8 million in actual

and potential revenues and savings, and have called into question \$233.9 million associated with claims filed against the City.

In Fiscal Year 2013, the Audit Bureau issued 84 audits and special reports that resulted in \$184.7 million in actual and potential revenues and savings and called into question another \$15.7 million associated with claims filed against the City. Additionally, the Audit Bureau offered 383 recommendations to City Agencies and other related entities to improve government programs and operations. While Agency managers are responsible for resolving and implementing recommendations promptly and effectively, auditors are responsible for following up to see that action is taken and that intended results are realized. Follow-up of this year's recommendations found that agencies reported implementing or being in the process of implementing 268 recommendations (70%) and not implementing 115 recommendations (30%).

The Comptroller's Office welcomes your interest in ensuring that those recommendations made by the Audit Bureau which have not been implemented are carefully considered by City agencies. The benefit from audit work is not in the recommendations made, but in their effective implementation. 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,



John C. Liu

SUMMARY OF AUDIT RESULTS

Actual and potential cost avoidance, savings, and revenues identified in Fiscal Year 2013 totaled \$200.3 million. These are estimates of what could be achieved if all the audit and special report recommendations were implemented. Of this \$200.3 million:

- Actual savings and revenues identified in Fiscal Year 2013 totaled \$10.9 million;
- \$173.7 million represents potential cost savings or revenues from a variety of management and financial audit findings, and
- \$15.7 million represents potential cost avoidance resulting from analyses of claims filed against the City.

The Comptroller's Audit Bureau issued 84 audits and special reports in Fiscal Year 2013. Reviews of managerial lump-sum payments and welfare-fund payments were also performed.

This report is divided into three sections. One section covers audits and special reports of City agencies and public authorities. Another section covers audits and special reports about 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. The third section has Government Non-GAGAS letter reports.

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.

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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 2013

<u>REPORT TYPE</u>	<u>FISCAL YEAR 2013 NUMBER OF REPORTS</u>	<u>FISCAL YEAR 2013 ACTUAL SAVINGS/ REVENUE</u>	<u>FISCAL YEAR 2013 POTENTIAL SAVINGS/ REVENUE(1)</u>	<u>FISCAL YEAR 2013 POTENTIAL COST AVOIDANCE</u>	<u>TOTAL</u>
Government Agencies					
Audits and Special Reports	70	\$9,935,424	\$166,619,788	\$0	\$176,555,212
Managerial Lump Sum Reviews		\$606,258	\$0	\$0	\$606,258
High Risk Voucher Reviews	3	\$36,193	\$19,574	\$0	\$55,767
Total Government Agencies	73	\$10,577,875	\$166,639,362	\$0	\$177,217,237
Non-government Agencies	11	\$363,521	\$7,065,336	\$15,695,223	\$23,124,080
Grand Total Government and Non-Government Agencies	84	\$10,941,396	\$173,704,698	\$15,695,223	\$200,341,317

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

SECTION I
GOVERNMENT AGENCIES

DEPARTMENT FOR THE AGING

Audit Report on the Department for the Aging's Awarding of Non-competitive and Limited-competition Contracts

Audit #ME12-094A

Comptroller's Audit Library #8216

Issued: November 28, 2012

Monetary Effect: None

Introduction

This audit determined whether the Department for the Aging (DFTA) had adequate controls relating to the awarding of contracts on a non-competitive or limited-competition basis and whether DFTA evaluated contractor performance before awarding such contracts. The primary scope of the audit was non-competitive or limited-competition contracts awarded by DFTA during Fiscal Year 2011.

DFTA promotes the independence, health, and well-being of older New Yorkers through a broad range of services, both directly and through over 700 contracts. Contracts with vendors are procured based on the award method used, which is an indicator of whether the contract was awarded on a competitive, non-competitive, or limited-competition basis. Requests for proposals (RFPs) are one of the methods used to award contracts on a competitive basis. According to the New York City Procurement Policy Board (PPB) Rules, "procurement by competitive sealed proposals is the preferred method for awarding contracts for ... client ... services." A significant portion of DFTA contracts is for the provision of client services.

Renewals and negotiated acquisition extensions are methods used to continue existing contracts for limited periods of time. Renewals and extensions are considered to be awarded on a non-competitive basis. Negotiated acquisitions are used in time-sensitive situations in which vendors must be retained quickly or when there are only a few vendors available to provide the goods and services needed. Since the agency need not negotiate with each qualified vendor, negotiated acquisition contracts are considered to be awarded on a limited-competition basis.

According to the New York City Financial Management System, 710 DFTA-related contracts valued at approximately \$237 million were awarded in Fiscal Year 2011.

Results

The audit concluded that DFTA generally had adequate controls relating to the awarding of contracts on a non-competitive or limited-competition basis and evaluated contractor performance before awarding such contracts. However, DFTA did not adequately plan its contract process to ensure that procurements were done in a timely manner and that the use of contract extensions was minimized. DFTA may have been able to achieve cost savings through the use of more competitive procurements.

For the sampled contracts, DFTA obtained the necessary approvals to award the contracts on a non-competitive or limited-competition basis. DFTA had the required written justifications, Agency Chief Contracting Officer approvals, and City Chief Procurement Officer authorizations for these contracts. In addition, contractor performance evaluations were conducted in the periods prior to the contract renewals or extensions in our sample. The contractors had a satisfactory or better record of performance. However, DFTA had some internal control weaknesses relating to the awarding of its contracts that should be addressed. Specifically, DFTA: did not issue new RFPs in a timely manner in order to limit the use of contract

extensions; did not consistently submit contracts for registration in a timely manner; and lacked written procedures concerning the procurement process.

To address these issues, the audit recommended that DFTA:

- Begin its contract procurements earlier to account for complexities involved with revising client service programs.
- Ensure that it submits contracts to the City Comptroller for registration in a timely manner.
- Develop and distribute to appropriate staff a set of written procedures detailing the contract procurement process.

In their response, DFTA officials agreed to implement the audit's recommendations.

Audit Follow-up

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

DEPARTMENT OF BUILDINGS

Follow-up Audit Report on the Queens Quality of Life Unit of the Department of Buildings

Audit #MJ12-102F

Comptroller's Audit Library #8234

Issued: February 21, 2013

Monetary Effect: None

Introduction

This audit determined whether the Department of Buildings (DOB) implemented the 14 recommendations made in the prior audit report, *Audit Report on the Queens Quality of Life Unit of the Department of Buildings* (Audit No. MG09-087A), issued on July 14, 2009.

DOB is responsible for the safe and lawful use of more than 975,000 buildings and properties throughout the five boroughs by enforcing laws and regulations applicable to the construction, alteration, and occupancy of buildings. DOB's main activities include examining building plans, inspecting properties, licensing the construction trades, and issuing construction permits.

In March 1997, DOB created the Queens Quality of Life Unit (QOL Unit) to oversee the increasing problem of illegal conversions in the borough.¹ Quality of life complaints refer exclusively to the illegal conversion (alteration or modification) of an existing building to create an additional housing unit without first obtaining approval from DOB. Examples of an illegal conversion include: adding an illegal basement, attic, or garage apartment; creating a rooming house (known as Single Room Occupancy or SRO) from a one- or two-family home; and dividing an apartment into individual SRO units.

The prior audit found that DOB's response to quality of life complaints was inadequate. Specifically, that audit found that QOL Unit inspectors did not gain access to nearly 40 percent of the properties for which the Unit received complaints in Fiscal Year 2008 and nearly two-thirds of all the Unit's field inspection attempts for the same year resulted in the inspectors being unable to gain access to the properties. Overall, the QOL Unit's rate of failed inspection attempts more than doubled from the time of the prior audit. Further, DOB had requested access warrants for less than 1 percent of the properties to which inspectors could not gain access. It did not follow up to ensure that the properties for which it obtained vacate orders remained vacated until violations were removed and the orders lifted. In this audit report, we discuss the recommendations from the prior audit as well as the current implementation status of each of those recommendations.

Results

This audit concluded that, since the prior audit, DOB has made little progress in improving its response to quality of life complaints. Of the 14 recommendations made in the prior audit, DOB implemented two, partially implemented six, and did not implement four others. One of the prior recommendations was no longer applicable because DOB modified its procedure, and one other we were unable to determine the implementation status because DOB did not have sufficient evidence for us to base a conclusion.

Of the conditions disclosed in the previous audit, this audit found that many remain unchanged. For example, DOB still has not sought the authority to impose fines on property owners who

¹ Queens is the borough in which DOB receives the most quality of life complaints. The DOB Construction Units of the remaining boroughs are in charge of monitoring the quality of life complaints for their respective communities.

deny DOB inspectors access to their properties to investigate a complaint of an illegal conversion. In addition, DOB has not optimized the pursuit of and, therefore, has not routinely obtained access warrants for vacated properties for which new complaints are received and inspectors are unable to gain access to re-inspect. Finally, DOB does not consistently adhere to the procedural requirement that vacated properties be re-inspected within approximately 30 days of posting the official vacate order.

To address these weaknesses, the audit made eight recommendations, including that DOB should:

- Seek the assistance of DOB's legal department, the City's Law Department, and/or City legislators to attain the legal authority to impose incremental fines on owners who deny DOB inspectors access to their properties and/or who do not respond to the LS-4 forms.
- Continue to work toward increasing the number of access warrants petitioned from the court for properties with numerous failed inspection attempts, particularly for properties with strong evidence of an illegal conversion to which inspectors are continuously unable to access to inspect and investigate complaints.
- Be proactive in promptly carrying out re-inspections of properties where vacate orders remain in effect to ensure that subject properties remain vacated until conditions are corrected.
- Ensure that, given its current level of resources, protocols and controls are implemented to ensure that established procedures are promptly put into practice and consistently carried out.

Audit Follow-up

DOB reported that three recommendations were implemented. For the remaining five, DOB reported that it could not implement one because the agency did not have the power to impose incremental fines on owners who do not provide building access to DOB inspectors. For the four others, DOB asserted that no corrective actions were needed because alternative procedures or practices already existed.

DEPARTMENT OF BUILDINGS

Follow-up Audit Report on the Department of Buildings' Elevator Inspections and Follow-up Activities

Audit #MJ12-128F

Comptroller's Audit Library #8252

Issued: May 9, 2013

Monetary Effect: None

Introduction

This follow-up audit determined whether the Department of Buildings (DOB) implemented the recommendations made in the previous audit, *Audit Report on the Department of Buildings Elevator Inspections and Follow-up Activities* (#MJ10-063A), issued October 21, 2010.

DOB promotes the safe and lawful use of more than 975,000 buildings and properties throughout the five boroughs. The DOB Elevator Division's mission is to ensure the operational safety, reliable service, and lawful use of elevators, escalators, amusement rides, and related devices (i.e., lifts, conveyors, personnel hoists, wheelchair lifts, and moving walks) throughout the City. To carry out its mission, the division performs approximately 90,000 inspections and tests each year.

With certain exceptions, elevators in New York City under DOB jurisdiction² must undergo an annual (periodic) inspection within one year (between six and 12 months) of the last periodic inspection, a "no-load" safety (Category 1) test once each calendar year, and a "full-load" (Category 5) safety test once every five years. Periodic inspections involve the visual inspection of all elevator components, and Category 1 tests involve the visual inspection of systems and tests of safeties (braking systems) while the elevator is running unloaded. Category 5 tests involve inspections of systems and tests of safeties while running the elevator at its full-load capacity. The Elevator Division's efforts are primarily focused on more than 60,000 active passenger and freight elevators in approximately 28,000 buildings citywide under DOB's jurisdiction and are subject to periodic inspections and safety tests.

The prior audit found that DOB's enforcement and follow-up activities did not adequately ensure the performance of mandated elevator safety inspections and tests and the correction of cited deficiencies. It also found that DOB had a persistent backlog of elevators requiring a periodic inspection and did not adequately follow up on inspection attempts in which contract inspectors could not gain access to the property (no access inspections). Further, DOB needed to improve the timeliness of its re-inspection of elevators issued cease-use orders and improve its procedures to address DOB violations issued by private inspectors under contract with DOB (PVT violations). This follow-up audit report discusses the recommendations from the prior audit as well as the current implementation status of each of those recommendations.

Results

The audit determined that of the nine recommendations made in the previous audit, DOB implemented three, partially implemented four, and did not implement two.

¹ According to DOB officials, properties located within the boundaries of New York City that are owned by New York State, the U.S. Federal government, and foreign governments are generally not under DOB's jurisdiction. Buildings owned by the New York City Housing Authority (NYCHA) are under DOB's jurisdiction. However, NYCHA's own inspectors perform inspections and tests of approximately 3,300 elevators installed in developments citywide under an agreement with DOB.

The audit concluded that although DOB had made some progress in addressing weaknesses in its elevator inspection and follow-up activities, certain weaknesses remained. For example, DOB made no appreciable changes to its procedures during the audit scope period to ensure that periodic inspections of elevators are carried out promptly each year. Also, DOB did not establish benchmarks to effectively manage the backlog of elevators overdue for a periodic inspection and had not taken action to address open PVT violations issued after January 1, 2004. Finally, DOB still had not established clear time requirements and procedures for property owners to submit to DOB proof of the correction of deficient conditions cited on PVT violations.

To address the weaknesses that remain, this audit made six recommendations, including that DOB should:

- Strengthen existing procedures and consider increasing resources as needed to provide greater assurance that periodic inspections are carried out in a timely manner each year.
- Establish and implement procedures to improve its follow-up of open PVT violations, particularly those issued since January 2004, and ensure property owners' compliance in remediating defective conditions.

Audit Follow-up

DOB reported that five of the audit recommendations have either been implemented or are in the process of being implemented. DOB continues to disagree with the remaining recommendation to establish and implement time requirements for property owners to report on the remediation of conditions cited in PVT violations.

BUSINESS INTEGRITY COMMISSION

Follow-up Audit Report on the Monitoring of the Private Carting and Public Wholesale Market Industries by the Business Integrity Commission

Audit #MD12-078F

Comptroller's Audit Library #8221

Issued: December 17, 2012

Monetary Effect: None

Introduction

The follow-up audit determined whether the Business Integrity Commission (BIC) implemented the key recommendations made in the previous audit, *Audit Report on the Monitoring of the Private Carting and Public Wholesale Market Industries by the Business Integrity Commission* (Audit No. FK07-089A, issued June 30, 2008).

In November 2001, a revision of the New York City Charter created the Organized Crime Control Commission, later renamed the Business Integrity Commission (BIC), to consolidate under one agency regulatory jurisdiction over the private carting, the public wholesale market, and the shipboard gambling industries. Previously, these industries were regulated by the Trade Waste Commission, the Department of Small Business Services, and the Gambling Control Commission, respectively.

BIC is both a law enforcement and regulatory agency. Its mission is to eliminate organized crime and other forms of corruption and criminality from the industries it regulates. BIC is empowered to investigate applicants, issue licenses and registrations, enforce applicable laws, and promulgate rules and regulations that govern the conduct of the businesses it oversees. The New York City Administrative Code requires that businesses operating in the trade waste and market industries obtain a license or registration from BIC. Before a license or registration is granted, BIC conducts background and criminal investigations of the applicant's business and its principals for the purpose of determining the good character, honesty, and integrity of the applicant business.

Results

The follow-up audit assessed the implementation status of 13 recommendations made in the prior audit report. Of the 13 recommendations, the audit determined that six recommendations were implemented, one recommendation was partially implemented, and six recommendations were not implemented. A number of issues identified from the previous audit still exist. Specifically, BIC: does not perform any reconciliation to ensure that all complaints received are recorded in the complaint database; does not adequately supervise Market Agents' activities; does not conduct background checks for some renewal applications; and allows wholesale market businesses to operate without current registrations.

In addition, the audit identified some new issues, which need to be addressed. BIC does not maintain a minor violation log as required by its procedures and does not assign background checks for investigation in a timely manner.

To address the issues that still exist, the audit recommended that BIC officials:

- Implement a process to ensure that all complaints received are entered into its database.

- Improve its monitoring of Market Agents' activities to ensure that they make regular entries of their actions in their memo books as required and complete required documents.
- Ensure that the background check process is completed, adequately documented, and maintained for all principals and key employees of all public wholesale markets that it regulates.
- Develop timeliness measures for the processing of new and renewal applications.
- Ensure that the Background Check Unit supervisors assign applications for investigation when received in order to improve processing time.

In their response, BIC officials generally agreed with seven recommendations, disagreed with three recommendations, and did not address the remaining two recommendations.

Audit Follow-up

BIC reported that seven recommendations have been implemented and disagreed with and will not implement the remaining five recommendations.

CITY CLERK AND CLERK OF THE COUNCIL

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

Audit #FM12-136A

Comptroller's Audit Library #8207

Issued: September 21, 2012

Monetary Effect: None

Introduction

The City Clerk has a dual role, serving as both the Clerk of the City of New York and the Clerk of the Council. As the City Clerk, the Clerk attests to leases and deeds of City property, grants, agreements, bonds, tax notes, and other forms of obligations of the City.

Other duties of the City Clerk include maintaining two separate bureaus -- the Lobbying Bureau and the Marriage Bureau. The Lobbying Bureau is responsible for the enforcement of the City's Lobbying Law. The Marriage Bureau provides Marriage Licenses, Domestic Partnership registrations, and civil Marriage Ceremonies. As the Clerk of the City Council, the main function of the Clerk is to attest to all laws enacted by the City Council. The Clerk of the Council is also responsible for keeping the transcripts of the proceedings of the City Council.

During Fiscal Year 2011, Other Than Personal Service expenditures for the City Clerk's Office amounted to \$1,066,020.

Results

The City Clerk's Office generally maintained complete and accurate inventory records for all major office equipment as required by the Department of Investigation's (DOI) *Standards for Inventory Control and Management*. However, there is a lack of segregation of duties that may weaken the internal controls over safeguarding of equipment. Specifically, one person is responsible for purchasing, receiving, and maintaining inventory. Comptroller's Directive #1 states that key duties and responsibilities need to be divided or segregated among different staff members to reduce the risk of error or fraud. The audit did not find any instances of missing or misplaced equipment. The City Clerk needs to segregate these responsibilities in order to minimize any potential risk of loss. The audit also found minor exceptions regarding maintenance of complete and accurate inventory lists.

The audit made four recommendations. The City Clerk's Office should ensure that:

- The functions of making purchases, signing off on deliveries, and maintaining the inventory list are properly segregated.
- It purchases only items that are needed for its operations.
- It affixes sequentially numbered identification tags to all office equipment items.
- It maintains complete and accurate inventory records.

In their response, the City Clerk's Office officials agreed with the audit's findings and recommendations, and said that they "accept the recommendations of the audit and will implement the same."

Audit Follow-up

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

OFFICE OF COLLECTIVE BARGAINING

Audit Report on the Office of Collective Bargaining's Controls over Its Inventory of Computer and Computer-related Equipment

Audit #ME12-119A

Comptroller's Audit Library #8233

Issued: February 15, 2013

Monetary Effect: None

Introduction

This audit determined whether the Office of Collective Bargaining (OCB) maintained adequate controls over its inventory of computer and computer-related equipment. The primary scope of the audit was Fiscal Year 2012.

OCB is an independent, non-mayoral agency established in 1967 to administer and enforce the provisions of the New York City Collective Bargaining Law. OCB was established to resolve disputes between City labor and management. OCB is authorized to resolve questions concerning union representation, collective bargaining, claims of improper labor practices, and the contractual arbitration process.

For Fiscal Years 2010 through 2012, OCB's expenditures for computers and computer-related items totaled about \$52,000.

Results

The audit concluded that there were several strengths in OCB's controls over its inventory of computer and computer-related equipment. Specifically, the audit determined that OCB had written policies and procedures relating to its inventory of computer and computer-related equipment; the server/computer storage room was secured; most of the computers and computer-related equipment on OCB's inventory records were found in the office; most of the computers and computer-related items in the office were identified on OCB's inventory records; and all of the computer items were appropriately tagged by OCB.

However, OCB's inventory records were not consistently accurate and unassigned items were stored in an unsecured area. To address these issues, the audit recommended that OCB ensure that its computer inventory records are consistently accurate and that all of its unassigned computer assets are properly safeguarded against theft by being stored in a secure area.

In their response, OCB officials partially disputed one of the findings, but stated that they are in the process of implementing the audit's recommendations.

Audit Follow-up

OCB reported that both audit recommendations have been implemented.

BROOKLYN COMMUNITY BOARDS

Audit Report on the Inventory Practices over Major Office Equipment at the 18 Brooklyn Community Boards

Audit #FM12-116A

Comptroller's Audit Library #8203

Issued: July 27, 2012

Monetary Effect: None

Introduction

There are Community Boards for each of the 59 Community Districts throughout the five boroughs of New York City. Each Community Board (Board) has a Chairperson and a District Manager, who manages day-to-day operations.

This audit determined whether the 18 Brooklyn Community Boards comply with certain inventory procedures for major office equipment as set forth in the Department of Investigation's (DOI) *Standards for Inventory Control and Management*. During Fiscal Year 2011, Other Than Personal Services (OTPS) expenditures for the 18 Boards totaled \$421,209.

Results

The audit found that except for Boards #1, #2, #6, #14, #16, and #18, which had relatively few or no equipment inventory and inventory list control weaknesses, the Boards did not adhere to certain DOI *Standards for Inventory Control and Management*. An examination of all major equipment items, including 12 items purchased in Fiscal Year 2012, found that some Boards did not maintain complete and accurate inventory lists of all their major equipment.

The audit made six recommendations, including that the Boards should ensure that:

- Complete and accurate records of all equipment are maintained.
- Identification tags are affixed to all office equipment items and include sequential internal control numbers.
- Each item of equipment should be assigned a separate control number.
- They adhere to the relinquishment procedures as required by the Department of Citywide Administrative Services' Agency Office of Surplus Activities when disposing of surplus property.

In their responses, the Boards generally 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

Brooklyn CB #1 did not have any inventory control weaknesses and reported that it will continue to comply with all of the Comptroller's Directives.

Brooklyn CB #2 reported that it has corrected all deficiencies identified in the audit and has implemented all six audit recommendations.

Brooklyn CB #3 reported that it has placed appropriate tags and control numbers on all items, etched and tagged all new equipment, and maintains an updated inventory list.

Brooklyn CB #4 reported that all items on the inventory list have corrected serial numbers and control numbers are now on each agency tag.

Brooklyn CB #5 reported that all of the audit recommendations have been implemented.

Brooklyn CB #6 reported the steps taken to correct the incidents identified in the audit report and has updated its inventory list.

Brooklyn CB #7 reported that it took immediate action to correct the deficiencies described in the audit report.

Brooklyn CB #8 reported that all of the audit recommendations have been implemented.

Brooklyn CB #9 reported that all of the audit recommendations are being implemented.

Brooklyn CB #10 reported that it took the necessary measures to come in to full compliance and amended incorrect and missing serial numbers.

Brooklyn CB #11 reported that corrections were made to the inventory list after the audit.

Brooklyn CB #12 reported that it has addressed all of the audit recommendations.

Brooklyn CB #13 reported that it has taken corrective measures and implemented a system to log and account for all new and old furniture and electronic equipment.

Brooklyn CB #14 reported that it had few inventory control weaknesses and has addressed the inventory controls errors cited in the audit.

Brooklyn CB #15 reported that it has implemented all of the audit's recommendations.

Brooklyn CB #16 reported that it has implemented the recommendations contained in the audit report.

Brooklyn CB #17 reported that all of the audit recommendations have either been implemented or are in the process of being implemented.

Brooklyn CB #18 reported that corrective action was taken to come into full compliance with the audit recommendations.

QUEENS COMMUNITY BOARDS

Audit Report on the Inventory Practices over Major Office Equipment at the 14 Queens Community Boards

Audit #FM12-115A

Comptroller's Audit Library #8202

Issued: July 27, 2012

Monetary Effect: None

Introduction

There are Community Boards for each of the 59 Community Districts throughout the five boroughs of New York City. Each Community Board (Board) has a Chairperson and a District Manager, who manages day-to-day operations.

This audit determined whether the 14 Queens Community Boards comply with certain inventory procedures for major office equipment as set forth in the Department of Investigation's (DOI) *Standards for Inventory Control and Management*. During Fiscal Year 2011, Other Than Personal Services (OTPS) expenditures for the 14 Boards totaled \$345,261.

Results

The audit found that except for Boards #7 and #11, which had relatively few equipment inventory and inventory list control weaknesses, the Boards did not adhere to certain DOI *Standards for Inventory Control and Management*. An examination of all major equipment items, including 24 items purchased in Fiscal Year 2012, found that some Boards did not maintain complete and accurate inventory lists of all their major equipment.

The audit made six recommendations, including that the Boards should ensure that:

- Complete and accurate records of all equipment are maintained.
- Identification tags are affixed to all office equipment items and include sequential internal control numbers.
- Each item of equipment should be assigned a separate control number.
- They adhere to the relinquishment procedures as required by the Department of Citywide Administrative Services' Agency Office of Surplus Activities when disposing of surplus property.

In their responses, the Boards generally 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

Queens CB #1 reported that it has updated its inventory list with serial numbers and location of equipment.

Queens CB #2 reported that it is now in full compliance with the audit recommendations.

Queens CB #3 reported that it has taken note of the audit findings and has made the necessary corrections.

Queens CB #4 reported that all of the recommendations have been implemented.

Queens CB #5 reported that all of the recommendations are being implemented.

Queens CB #6 reported that all of the recommendations have been implemented.

Queens CB #7 reported that it has made all necessary corrections.

Queens CB #8 reported that it has assigned sequential numbers to inventory items, created new guidelines and forms for tagging inventory items, and updated its inventory list.

Queens CB #9 reported that it has added the items with missing tags and the items not listed to the inventory list.

Queens CB #10 reported that all recommendations have been implemented.

Queens CB #11 reported that it has made all necessary corrections to the inventory list.

Queens CB #12 reported that it has made the necessary corrections.

Queens CB #13 reported the corrections it has made to implement the audit recommendations.

Queens CB #14 reported that all of the audit recommendations have been implemented.

NEW YORK CITY COMPTROLLER'S OFFICE

Cost Allocation Plan Fiscal Year 2012

Report #SR13-095S

Comptroller's Audit Library # N/A

Issued: January 7, 2013

Monetary Effect: None

Introduction

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

The New York City Comptroller's Office review of its own costs resulted in a summary schedule that was sent to the Office of Management and Budget (OMB) for inclusion in the City's Cost Allocation Plan. The schedule indicated, by bureau, the percentage of staff time spent providing services to various City agencies during Fiscal Year 2012.

Results

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

BOARD OF CORRECTION

Letter Report on the Board of Correction's Monitoring of Its Employees Who Drive City-Owned or Personally-Owned Vehicles on City Business

Audit Number #7R13-063AL
Comptroller's Audit Library #8212
Issued: October 23, 2012
Monetary Effect: None

Introduction

This audit determined if the Board of Correction (BOC) is effectively monitoring its employees who drive City-owned or personally-owned vehicles on City business. BOC currently does not own nor have a contractor-leased vehicle.

The City requires that only those employees who exercise reasonable care in operating City- or personally-owned vehicles be allowed to use them to conduct City business. This requirement is outlined in the City of New York's "City Vehicle Driver Handbook" (Regulations). All agency heads, through the Agency Transportation Coordinator (ATC), must ensure that all employees assigned a City-owned vehicle either for full-time use or temporary use are authorized to drive. It is also the ATC's responsibility to ensure that these drivers have valid licenses and insurance (if they are driving their personal vehicles). The driver's license should be a New York State License unless the employee is exempt from City residency requirements. If this is the case, then the authorized driver must have a valid license from the state where he/she resides and must have the appropriate classification for the vehicle which he/she is driving on City business. The Regulations further specify that City agencies must establish programs that promote safety along with proper training in the use of motor vehicles.

In following these criteria, City agencies use the New York State Department of Motor Vehicles' (DMV) License Event Notification System (LENS). The ATC is responsible for notifying DMV of all agency-authorized drivers. This enables the DMV's LENS program to notify the ATC of any event that affects the driver's license. This includes: expiring license; points accrued; accidents; driving while impaired; or driving while under the influence. This enables the ATC to ensure that only employees with valid licenses are driving on City business. The City's policy recommends that agencies participate in LENS to monitor the driving behavior of their employees.

BOC is the oversight agency for the Department of Correction (DOC). Consequently, its employees have access to DOC vehicles. The audit also verified that BOC does not own nor lease a vehicle from a contractor to conduct City business as of June 30, 2012.

Results

The audit found that BOC does not effectively monitor the driving behavior of its authorized drivers.

BOC's ATC did not enroll the Agency's City Authorized Drivers in LENS and last reviewed drivers' records on April 14, 2011. While the most current version of the City Vehicle Driver Handbook says nothing about the frequency of each review, §3.4.2 of the previous handbook, dated 1997, states, "The agency obtain and review[sic] the driver's Abstract of Operating Record (Abstract) from NYS DMV, or the equivalent from the driver's licensing state, annually."

As agency personnel were not enrolled in LENS and no reviews were performed after April 2011, no monitoring of drivers occurred at BOC for over a year.

In addition, BOC is required by City policy to review and monitor the annual drivers' records, registration information, and proof of insurance check for all BOC employees who use a personally-owned vehicle on City business. Ensuring compliance with the regulations is the responsibility of the ATC. However, at BOC, the ATC is assigned a City vehicle and is an authorized City driver. A review of the ATC's driving history shows the following:

- On January 19, 2008, the ATC was charged with Driving While Intoxicated (DWI).
- On February 1, 2008, the ATC's license was suspended.
- On December 18, 2008, the ATC was convicted of DWI and the NYS DMV issued him a conditional³ license.
- On March 17, 2009, the ATC received a non-restricted license.
- On August 10, 2010, the ATC was in an accident while driving a City vehicle.
- On April 12, 2011, the ATC was informed by BOC that he was not permitted to have access to a City vehicle.

Section 2.2 of the City Regulations states, "Employees assigned to a City Government Vehicle who are charged with and convicted of a DUI or DWI will lose their driving privileges." Based on City Regulations, the ATC should not have had access to a City vehicle on August 10, 2010, when he was involved in an accident because his driving privileges should have been revoked by BOC due to his DWI conviction. BOC did not inform the ATC that he was not permitted to have access to a City vehicle until April 12, 2011.

Despite being informed on April 12, 2011, that he was no longer to have access to a City vehicle, the ATC was assigned a City vehicle on July 18, 2012, by DOC. BOC states that it did not authorize this assignment.

The audit made the following recommendations that BOC should:

- Immediately re-assign the responsibility of monitoring its drivers to the appropriate senior manager.
- Enroll BOC employees in LENS.
- Check on an annual basis the licenses and insurance of those BOC employees who use personally-owned vehicles for City business.
- Immediately retrieve the City vehicle assigned to the ATC and return it to DOC.
- If DOC's vehicles are to be used by BOC employees, establish procedures with DOC to prevent unauthorized individuals from obtaining access to vehicles.

In its response, BOC generally agreed with the report.

³ A restricted or conditional license is issued to a person whose driver's license or privileges for operating a motor vehicle have been suspended or revoked because it is necessary for him/her to have a valid license for his/her employment, business, trade, occupation, or profession, or to travel to and from school. A conditional license is issued if a vehicle is the only means of getting to and from work or if the person's employment requires operation of a motor vehicle. It is also issued for traveling to and from a class or activity that is an authorized part of a drug or rehabilitation program or to court-ordered probation activities. (In all cases, a motor vehicle can only be used during specific hours).

Audit Follow-up

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

DEPARTMENT OF CULTURAL AFFAIRS

Compliance of Carnegie Hall Corporation's Special Program Fund with Its City Lease Agreement; July 1, 2009, to June 30, 2010

Audit #FN12-089A

Comptroller's Audit Library #8226

Issued: January 23, 2013

Monetary Effect: None

Introduction

In 1987, the City, through the Department of Citywide Administrative Services (DCAS), amended the Master Lease agreement with the Carnegie Hall Corporation (Corporation) covering the Carnegie Hall building, located on Seventh Avenue at 57th Street in Manhattan. In so doing, the City allowed the Corporation, in lieu of rent, to set aside \$183,600 into a Special Program Fund (SPF) to be used exclusively to fund high quality public services programs. City public funds allocated to assist in Carnegie Hall's operations are provided through the New York City Department of Cultural Affairs (DCA).

Under the lease agreement, the Corporation is required to submit proposed programs and an annual budget to DCA for approval. Further, the Corporation is required to designate a separate bank account for the SPF and obtain DCA's approval for any withdrawals of grants, contributions, or other payments to the SPF.

The objective of this audit was to determine whether the Corporation complied with the SPF provisions of its City lease agreement.

Results

The audit found that DCA did not ensure the Corporation submitted proposed programs and an annual budget for approval, did not ensure the Corporation distributed the neighborhood concerts equitably within the five boroughs and monitored the level of attendance, and did not maintain a separate bank account for the SPF. Without a proper approval process, DCA was unable to ensure the diversity of the programs provided and whether the programs were equitably distributed among the five boroughs and to benefit the intended population of the City.

Further, DCAS did not renegotiate the terms of the Carnegie Hall lease and reassess the amount of the public service contribution after the Carnegie Hall Studio Towers were reclassified from residential to exclusively commercial use, including music education, rehearsal space, and event space. Despite the substantial change in the architectural integrity of the premises, DCAS did not seek to renegotiate the lease terms that would have allowed for a proportionate increase in SPF contributions to the City.

To address these issues, the audit recommends that DCA should ensure the Corporation:

- Submits proposed programs and an annual budget for approval.
- Diversifies the fund programs.
- Distributes the neighborhood concerts equitably within the five boroughs and attains a high level of attendance.
- Maintains a separate bank account for the SPF.

The audit recommends that DCAS should:

- Renegotiate an equitable increase in the City's public service contribution.

In its response, DCA stated that “the Draft Report contains a number of inaccuracies and mischaracterizations about the Carnegie Hall Corporation (‘Carnegie Hall’ or the ‘Hall’) and the Special Program Fund (the ‘Fund’).” Specifically, DCA said, “The most troubling aspect of the first finding is the assertion that the Agency was required to guarantee equitable distribution of the *Neighborhood Concerts* within the five boroughs and monitor attendance levels as a means of ensuring that musical programming was ‘broad and diverse’ as required by Article 3.” DCA stated, “...this finding is largely inconsistent with the terms of the lease and immaterial to the public service that was successfully delivered by Carnegie Hall in FY 2010.”

DCA also disagreed, noting that “DCAS should have renegotiated the terms of the public service contribution associated with the Fund in concert with its review of the Hall’s renovation of its Studio Towers...”, and deemed the report’s conclusion as “a fundamental misunderstanding of the City’s partnership with Carnegie Hall and its not-for-profit mission. Contrary to the description in the Draft Report, the Studio Towers Project is intended to create additional spaces for its music-education programs and modernize its back stage to ensure that the Hall remains a destination for world-renowned artists and educators....Most important, however, is the marked increase in public service that will result from the additional space created by the Project....To the extent that the roof-top event space will generate revenue for the Hall through rentals and catered events, such revenue will be used toward not-for-profit operations and mission-driven programming. As a result, DCA does not deem an increase in Carnegie Hall’s public service contribution to be necessary.”

In its response, DCAS stated that “...DCAS believes that renegotiation of the lease in connection with the renovation is inconsistent with the public policy detailed heretofore. We therefore respectfully decline the recommendation to do so.”

Audit Follow-up

DCA reported that it has an updated letter agreement with the Corporation, which revised Carnegie Hall’s financial and programmatic reporting procedures on the SPF to DCA. However, DCA did not address the specific audit recommendations in its status report.

DCAS reported that it continues to disagree with the audit recommendation.

BRONX COUNTY DISTRICT ATTORNEY'S OFFICE

Audit Report on Controls of the Bronx District Attorney's Office over Its Inventory of Computer and Computer-related Equipment

Audit #MD13-076A

Comptroller's Audit Library #8248

Issued: April 19, 2013

Monetary Effect: None

Introduction

The audit determined whether the Bronx County District Attorney's Office (BCDA) has adequate controls over its inventory of computer and computer-related equipment. The audit scope was Fiscal Year 2012.

BCDA purchases computers (excluding laptops), printers, servers, and network devices using capital funds approved by the City's Office of Management and Budget. In addition, some computer and computer-related equipment is purchased with grant funds. The inventory listing obtained from BCDA contained 3,272 computer and computer-related equipment items as of October 15, 2012.

Results

The audit found that BCDA had adequate controls over the computer and computer-related equipment on the inventory listing it provided. However, there was not reasonable assurance that the BCDA inventory listing was complete because BCDA could not account for all inventory tag numbers. In addition, the audit found that BCDA does not have written policies and procedures for the inventory of computers and computer-related equipment and did not maintain evidence that it conducted a yearly inventory count.

To address these issues, the audit made three recommendations:

- Ensure that tag numbers are controlled, assigned sequentially, tracked (especially for salvaged equipment), and tags are made of sturdy material.
- Develop written policies and procedures for its inventory of computer and computer-related equipment.
- Ensure that a yearly physical inventory count of computer and computer-related equipment is conducted, documented, and performed by individuals who are not responsible for maintaining inventory.

BCDA officials agreed with the audit's three recommendations.

Audit Follow-up

BCDA reported that two recommendations have been implemented and the remaining recommendation is in the process of being implemented.

DEPARTMENT OF EDUCATION

Audit Report on the Department of Education's NYC21C Project

Audit #7A11-116

Comptroller's Audit Library #8204

Issued: August 1, 2012

Monetary Effect: None

Introduction

The objective of the audit was to determine whether the Department of Education's (DOE) NYC21C initiative is meeting the overall goals, milestones, and budgetary allocations as set forth in the Five-Year Strategic Plan, dated May 2009.

DOE provides primary and secondary education to over 1 million pre-kindergarten to grade 12 students in 32 school districts in over 1,500 schools, and employs approximately 75,000 teachers. DOE prepares students to meet grade-level standards in reading, writing, and math, and prepares high school students to meet graduation requirements. The School Construction Authority coordinates the development of DOE's Five-Year Capital Plan, selects and acquires sites for new schools, leases buildings for schools, and supervises conversion of administrative space for classroom use.

In 2009, DOE launched the NYC21C initiative. The initiative was created as a project aimed at innovating school practices to better prepare students for college and careers in the 21st century. DOE released a Plan, dated May 2009, which described the NYC21C project and other programs developed to prepare students for 21st century learning.

Results

DOE provided the 10 NYC21C schools with technology, human resources, curriculum, and instruction as indicated in its original Plan, dated May 2009. The audit found that the schools have wireless upgrade, Smartboards, laptops, access to online classes, and college credit courses. In addition, the schools have educational software, which includes Rosetta Stone, Revit Architecture, Powerspeak, and Brain Pop. The schools also have their own technician to handle technical issues.

DOE did not, however, develop measurable outcome criteria to assess the success of the project (e.g., whether students were better prepared for college in the 21st century). Furthermore, the project was not in existence long enough for DOE to determine whether the goals of the plan were successful for the 10 NYC21C schools. DOE changed its approach to the NYC21C project and the program has evolved; therefore, the original purpose of this program can no longer be evaluated using the 2009 plan. The 10 schools that were included in the NYC21C initiative have been transferred into different initiatives with no clear specific measurable criteria to use in assessing the effectiveness of the NYC21C initiative.

DOE did not communicate with the NYC21C schools on a regular basis. DOE also did not have all the required documentation for the NYC21C initiative. In addition, DOE provided auditors with a list of inventory and expenditures for technology that was obtained by City schools, but did not keep track of the inventory each school received from DOE nor the amount associated with it. Consequently, auditors were unable to determine whether the NYC21C schools met their budgetary allocations.

To address these issues, the audit makes five recommendations. DOE should:

- Establish and specify firm measurable goals, objectives, and guidelines for all future DOE projects;
- Monitor and communicate with schools to ensure City schools continue to provide students with innovations for the purpose of 21st century learning;
- Keep track of all City schools' technology inventory and expenditures for each school year for program cost effectiveness purposes;
- Ensure required documentation related to the NYC21C initiative and future pilot programs are submitted and maintained; and
- Ensure that schools in the Career and Technical Education program submit all documentation needed for approval into the program.

DOE officials generally agreed with all five recommendations, but disagreed with several of the audit's findings.

Audit Follow-up

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

DEPARTMENT OF EDUCATION

Audit Report on the Department of Education's Controls over the Use of Procurement Cards at Schools Supported by Children's First Network 106

Audit #MD12-106A

Comptroller's Audit Library #8222

Issued: January 3, 2013

Monetary Effect: Potential Savings: \$1,273

Introduction

The audit determined whether the Department of Education (DOE) had adequate controls in place to ensure that the schools supported by Children's First Network (CFN) 106 complied with the policies and procedures governing the procurement card (p-card) program as set forth in DOE's Standard Operating Procedures (SOP). The audit scope was Fiscal Year 2011 (July 1, 2010, through June 30, 2011).

In 2003, DOE adopted the use of p-cards for select categories of purchases in an effort to expedite processing times, eliminate out-of-pocket expenses for staff, and lower transaction costs for small purchases. P-cards can only be used by authorized staff for business-related purchases in compliance with DOE's procurement policies. There are 63 CFNs which provide support to approximately 25 schools each. P-card spending for Fiscal Year 2011 amounted to \$17,202,173. CFN 106 provided support to 24 schools, which had 2,787 p-card transactions totaling \$516,667-- the highest volume and amount of p-card transactions among all CFNs.

Results

The audit found that DOE does not have adequate controls in place to ensure that the schools supported by CFN 106 complied with p-card policies and procedures. The audit sample

consisted of five schools and 541 transactions totaling \$133,173. Of the 541 transactions, the audit identified 390 transactions totaling \$85,551 that had one or more deficiencies. The audit identified the following deficiencies: required bids were not obtained; lack of evidence of receipt of goods and services; missing supporting documentation; no justification for purchases; questionable food purchases; and inappropriate payment of sales tax. The audit also found that cardholders routinely loaned their p-card to other staff and the required reconciliation of p-card purchases was not consistently performed.

To address these issues, the audit made 13 recommendations, including that DOE should:

- Ensure that the cardholder obtains at least three bids for all purchases over \$250 and documents them using the DOE Telephone Bid Summary Form.
- Require schools to ensure that p-card purchases are appropriately supported by receipts, agendas and attendance sheets (when required), evidence of receipt, and justification of the educational need for the purchases.
- Investigate food purchases without required support, food purchases that exceeded the allowable limit, and purchases for which the educational need is not identified to determine whether they were appropriate. Recoup the funds for any purchases deemed inappropriate.
- Require the schools to recoup the sales taxes that were incorrectly paid and remind cardholders that tax-exempt certificates should be submitted for all future purchases.
- Enforce the policy that only authorized cardholders make purchases using the p-cards.
- Ensure that independent p-card reconciliations are performed and evidenced by the signature and date of the reviewer.

DOE officials generally agreed with 10 of the audit's 13 recommendations and disagreed with the three remaining recommendations.

Audit Follow-up

DOE reported that nine recommendations are being implemented and one recommendation was partially implemented. DOE continues to disagree with the remaining three recommendations concerning p-card reconciliations and only authorized cardholders making purchases with p-cards.

DEPARTMENT OF EDUCATION

Letter Report on the Provision of Assistive Technology Devices by the Department of Education

Report #MG12-077AL

Comptroller's Audit Library #8209

Issued: October 9, 2012

Monetary Effect: None

Introduction

The audit objective was to determine whether the Department of Education (DOE) provided Assistive Technology (AT) devices to students as called for in their Individualized Education Programs (IEPs).

Certain control weaknesses severely limited auditors' ability to meet the audit objective. Due to the absence of a reliable population of all students authorized to receive AT devices, auditors could not be reasonably assured that DOE provided AT devices to all students approved to receive them.

Results

Based on the preliminary tests conducted in four public schools, the audit found that the fundamental information recorded in school records differs from the information recorded in DOE's Child Assistance Program (CAP) database, which is DOE's computerized system of record. According to CAP, there were a total of 48 students with approved AT devices in the four schools. However, in eight instances (17 percent), the audit found inconsistencies between school records and CAP. Moreover, the audit found the reverse situation with an additional 24 students who were listed on their IEPs or other official DOE records as authorized to receive AT devices but were not identified in CAP as needing them. Auditors also attempted to conduct a test at a private school. At this school as well, the audit found conflicting information between authorized AT services on CAP and the information recorded in school records. As such, the information within CAP could not be used as a reliable source for identifying the population or selecting a sample for our testing purposes.

DOE officials have acknowledged on several occasions that CAP is outdated and inaccurate. During auditors' visits to the schools, the administrators who are responsible for entering the students' IEP data also stated that CAP data is inaccurate. In addition, DOE does not currently maintain a central filing system for IEPs. Instead, each individual school principal is responsible for maintaining students' IEPs and for ensuring that students receive and use the devices authorized on their IEPs. Accordingly, auditors could not attest that the students in the population provided by DOE represented the full population of students who were approved to receive AT devices.

This audit was closed and a Letter Report issued because auditors could not be reasonably assured that DOE provided them with a complete listing of all AT devices provided to students who were approved to receive the devices.

This issue was brought to the attention of DOE officials so that controls could be improved to ensure that DOE provides AT devices to those students approved for the devices.

The letter report also made two recommendations:

- Ensure that all data pertaining to a student's AT device is accurately recorded.

- Maintain a centralized listing of all students who have been approved for AT devices on their IEPs.

Audit Follow-up

DOE reported that both audit recommendations are being implemented.

DEPARTMENT OF EDUCATION

Audit Report on the Performance of the Department of Education's Children First Network 406

Audit #MG12-107A

Comptroller's Audit Library #8249

Issued: April 25, 2013

Monetary Effect: None

Introduction

This audit determined whether Children's First Network (CFN) 406 provides instructional and operational support to its schools in accordance with Department of Education (DOE) policies and procedures

DOE supports its schools through the CFNs, which provide both instructional and operational support to the schools. Specifically, the CFNs provide professional development for principals and teachers; strategic intervention and planning for struggling schools; and targeted support for students with disabilities, English Language Learners, and under-represented student groups. In addition, CFNs assist schools with administrative tasks such as hiring teachers, carrying out daily operations, using data and technology, and fostering partnerships with community-based organizations and cultural institutions.

DOE evaluates network performance on an annual basis by using an evaluating structure that consists of four components: Progress Report, Quality Review, Qualitative Network Evaluation, and Principal Satisfaction Survey.

Results

CFN 406 provided instructional and operational support to its schools in accordance with DOE policies and procedures. The CFN provided assistance to schools pertaining to educational planning, curriculum mapping, student work analysis, and quality review. In addition, CFN 406 offered professional development training to school personnel and provided operational support in a timely manner in areas such as attendance, suspension, health and safety compliance, and transportation services. Satisfaction with the services provided by CFN 406 was confirmed by the four school principals interviewed during the audit.

However, it is difficult to determine whether that support increased the efficiency of the schools' day-to-day operations as was anticipated by some of DOE's expectations for the CFNs. Specifically, there is concern about DOE's current evaluation structure and the way each component is being used to measure network performance. For two of these components, the Progress Report and the Quality Review, a network's contribution to the scores allotted to the schools cannot be directly ascertained. For another component, the Qualitative Network Evaluation, the evaluation is based primarily on activities planned by a network rather than the

outcome or effectiveness of those activities. The remaining component, the Principal Satisfaction Survey, appears to be the best suited of the four to provide feedback on the work performed by a network. However, DOE is not sufficiently utilizing this tool.

To address these issues, the audit made three recommendations. DOE should:

- Develop quantifiable criteria and standards that would allow it to determine whether there is a correlation between the schools' progress or lack thereof and the performance of the CFN.
- Encourage the principals to fill out the entire Principal Satisfaction Survey and incorporate a comments section within the survey.
- Solicit feedback from other school officials who work with the CFNs, such as assistant principals and teachers.

DOE officials agreed to implement two recommendations and disagreed with one recommendation.

Audit Follow-up

DOE reported that two recommendations have been implemented and continues to disagree with and will not implement the recommendation to develop quantifiable criteria and standards for determining the correlation between school progress and the performance of the CFN.

DEPARTMENT OF EDUCATION

Audit Report on the Department of Education's Controls over the Monitoring of Individual Consultants for Mandated Services

Audit #MH11-060A

Comptroller's Audit Library #8220

Issued: December 6, 2012

Monetary Effect: None

Introduction

The audit determined the adequacy of Department of Education's (DOE) controls over the monitoring of individual consultants for mandated services.

DOE employs pedagogic staff and procures consultant services from companies and individuals. DOE may hire consultants when existing staff of an office, learning center, district, or school cannot offer the expertise to accomplish educational goals. Consultants may be corporate entities, institutions, or individuals who provide services on a temporary and occasional basis and possess special skills and knowledge in various areas, but who are not employees of DOE. Consultant services may include, but are not limited to, administrative, arbitration, legal, medical, and educational services. The services of consultants are also used to provide educational assistance to children with disabilities under the *Federal Education for All Handicapped Children Act* (1975), which, together with subsequent amendments as currently reflected in the *Individuals with Disabilities Education Act* (IDEA) of 2004, guarantees access to a free, appropriate public education in the least restrictive environment to every child (from pre-school to age 21) with a disability. As set forth by IDEA, States and public agencies are responsible for providing special education-mandated services that are designed to meet the

unique learning needs of eligible children with disabilities so as to ensure that they are prepared for further education, employment, and independent living.

The primary audit scope was Fiscal Years 2010 and 2011; however, the audit extended the review of controls to January 2012 for additional tests that were required to adequately evaluate the controls in place.

Results

The audit found significant control weaknesses, which prevented DOE from effectively monitoring its individual consultants for mandated services. Specifically, the audit found: paper invoices not designed to capture service times; inadequate edit controls in the Vendor Portal to prevent inappropriate billing for sessions at unreasonable hours or on federal holidays; lack of a uniform and comprehensive system that maintains an ongoing tally of each consultant's billings; and failure to track, log, and review parent verification letters. As a result of these weaknesses, DOE made payments for services that may not have been rendered.

The audit made 16 recommendations, including that DOE should:

- Record the start and end time for all consultant services, including Special Education Teacher Support Services (SETSS).
- Improve the validation edit controls in Vendor Portal and the review procedures for the manually submitted paper invoices to ensure accurate billing and compliance with DOE's requirements, including the disallowance of services provided on federal holidays or at odd hours.
- Implement more effective controls to protect against inappropriate billing. Such controls should include, but not be limited to, maintaining aggregates of the billings in a month for each consultant before payment is made.
- Develop written procedures and disseminate those procedures to the appropriate personnel describing how parental responses to service verification letters are to be handled.

In their response, DOE officials agreed to implement or stated that they have already implemented 14 of our 16 recommendations. However, DOE disagreed with two recommendations relating to sending verification letters to parents in non-English speaking households and to issuing formal contracts to consultants.

Audit Follow-up

DOE reported that 11 recommendations have been implemented, one recommendation is in the process of being implemented, one recommendation relating to sending verification letters to parents in non-English speaking households will not be implemented, and the remaining three recommendations are no longer applicable. Beginning in 2014, paper invoices will no longer be used; providers will be required to send invoices electronically through the DOE Vendor Portal.

DEPARTMENT OF EDUCATION

Audit Report on the New York City Department of Education's High School Application Process for Screened Programs

Audit #MH12-053A

Comptroller's Audit Library #8265

Issued: June 13, 2013

Monetary Effect: None

Introduction

This audit determined whether the Department of Education (DOE) has adequate controls in place to ensure an accurate screening and ranking of students in the high school placement process. This audit concentrated on the high school application process for eighth grade students applying for screened high school programs. The screened admission selection method was determined to pose the greatest risk of potential manipulation; accordingly, audit efforts concentrated in this area.

DOE has two different high school placement processes. The first process, referred to as the high school application process, is for eighth grade students applying for the ninth grade and first-time ninth graders applying for the tenth grade. There are seven different admission selection methods that high school officials use to consider students for their programs: (1) test, (2) audition, (3) educational option, (4) limited unscreened, (5) screened, (6) unscreened, and (7) zoned. The second process, referred to as the over-the-counter process, is for (1) new students, (2) students returning to New York City public schools, and (3) New York City public high school students transferring between high schools.

According to records obtained from DOE, there were 284,513 high school students on register as of October 31, 2011. Of these, 215,556 students were placed through the high school application process and were still enrolled at the same high schools as of that date. The remaining 68,957 students were placed in their respective high schools through the over-the-counter process.

The scope period of this audit was July 2009 through June 2012.

Results

DOE lacks adequate controls over the high school application process to ensure an accurate screening and ranking of the students who apply for admission to a screened program. Weaknesses include the lack of formal written procedures delineating the criteria and steps used by the high schools to rank the students; failure to maintain sufficient records to document the ranking processes undertaken; and the lack of oversight by DOE to ensure the fair and consistent application of each school's ranking procedures. The audit also found that DOE failed to ensure that middle schools retained the original, hard-copy application forms documenting students' high school choices, as required by Chancellor's Regulation A-820, which prevented auditors from determining whether the high school choice data in the Student Enrollment Management System (SEMS) was accurate.

As a result of these weaknesses, there is no reasonable assurance that the possibility of inappropriate manipulation of student rankings, favoritism, or fraud is being adequately controlled. An analysis of the ranking process for the sample of five screened programs found that 319 (8 percent) of the 4,075 students ranked by these schools did not appear to meet the selection and enrollment criteria (screen). Of these 319 students, 92 (29 percent) were eventually matched by SEMS to those screened programs and 60 (19 percent) were reportedly

enrolled at those schools as of October 31, 2011. Conversely, the audit found that 1,946 (34 percent) of the 5,702 students who auditors determined did meet the screens for these programs were not ranked by the schools. In fact, many of the students who appear to have met the screen but were not ranked had higher scores than some of the students who appear to have met the screen and were ranked. By not ranking such students, the schools denied them an opportunity to be matched to these programs.

The audit makes nine recommendations, four of which are listed below. DOE should:

- Ensure that the high schools comply with the New York State Education Department's *Records Retention and Disposition Schedule ED-1* rule. Specifically, it should ensure that the high schools are made aware of the retention requirement and retain the high school ranking documentation for a minimum of six years as required.
- Require the high schools with screened programs to document their ranking rubrics and processes and submit such documentation to a unit within DOE.
- Review the submitted ranking criteria and periodically evaluate the ranking practices of a sample of screened programs, especially those with high demand, to ensure that the high schools are appropriately ranking students in accordance with their stated criteria.
- Review the ranking practices of the four high school screened programs cited in this report for having a considerable number of questionable student rankings and ensure that the schools are following their stated screens and priorities and DOE's student selection policy for screened programs.

DOE generally agreed with all nine audit recommendations.

Audit Follow-up

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

DEPARTMENT OF EDUCATION

Audit Report on the Department of Education's Efforts to Address Student to-Student Harassment, Intimidation, and/or Bullying in Compliance with Chancellor's Regulation A-832

Audit #MJ12-073A

Comptroller's Audit Library #8235

Issued: February 28, 2013

Monetary Effect: None

Introduction

This audit determined whether New York City's public schools appropriately address, investigate, and resolve student complaints of bullying and harassment by other students in compliance with the Department of Education's (DOE) Chancellor's Regulation No. A832 (CR-A832).

The regulation sets forth DOE policy prohibiting any form of bias-related harassment, intimidation, and/or bullying committed by students against other students on account of actual or perceived race, color, creed, ethnicity, national origin, citizenship or immigration status, religion, gender, gender identity or expression, sexual orientation, or disability. CR-A832 establishes reporting procedures, investigation, follow-up action, and notification requirements for all New York City public schools. In anticipation of amendments to New York State Education Law that took effect July 1, 2012, DOE updated CR-A832 (effective October 12, 2011) to include, among other things, bias-based acts committed by students against other students on account of weight.

DOE requires all schools to record all behavioral infractions, including bias-related incidents, in DOE's Online Occurrence Reporting System (OORS), which is the document of record for all reported events. OORS is used to track, follow up, and report on all disciplinary actions Citywide each year. For the 2009-2010 School Year, DOE reported 8,298 bias-related incidents, representing nearly 6 percent of all behavioral incidents recorded for the school year. Not all of these reported bias-related incidents, however, were classified as CR-A832 violations.

Results

This audit concluded that DOE provides support to the City's schools in regards to addressing, investigating, and following up on complaints of student-to-student bias-related bullying, harassment, and/or intimidation. However, this support did not adequately ensure that those incidents were treated in a consistent manner among City schools. Further, although OORS is accessed and used by all schools Citywide to report behavioral incidents, the database was not designed, and through at least the end of the 2011/2012 school year, had not been modified to make possible the identification of all incidents that fall under CR-A832. Therefore, for the period under review, reasonable assurance could not be obtained to ensure that the City's public schools consistently complied with CR-A832.

The audit found that the three surveyed schools complied with some of the key aspects of CR-A832. However, DOE has not developed an effective means to enable it to identify all bias-related incidents that violate CR-A832. Therefore, DOE could not adequately track reported incidents or complaints of student-to-student bias-related harassment that occur at its schools and could not quantify the total number of such incidents for a given school year. Additionally, DOE has not established sufficient controls to ensure that bias-related incidents are treated in a consistent manner among City schools. This is of concern due to the inherent risk that school principals could downplay the reporting of bias-related incidents that occur at their respective

schools. Therefore, there is no assurance that all reported complaints of student-to-student bias-related occurrences were appropriately recorded in OORS and subsequently addressed.

A review of 10 bias-related incidents recorded in OORS for two of the three schools visited demonstrated that (1) the sampled reported incidents were recorded in the OORS database in a timely manner; (2) the sampled schools investigated and followed up on the sampled incidents; and (3) school officials contacted or attempted to contact parents of victims and/or accused students involved in the sampled incidents. However, schools did not provide the alleged victims (students) with a written report of the outcome of the investigation within 10 days of the sampled incidents being reported or the schools becoming aware of the incidents.

To address these weaknesses, the audit made five recommendations, including that DOE should:

- Modify OORS to allow it to comprehensively and effectively track and identify all bias-related incidents, including CR-A832 violations.
- Ensure that school principals understand what is required of them regarding CR-A832 violations and that they comply with those requirements.
- Enhance its oversight of the school-reporting process and establish more effective controls to better ensure that bias-related incidents are entered in OORS. At a minimum, such oversight should include visits to a sample of schools (selected based on objectively designed criteria) to review their methods for collecting and recording incident-related data and conduct limited testing of supporting school records to ensure that incidents are categorized and reported appropriately.

Audit Follow-up

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

DEPARTMENT OF ENVIRONMENTAL PROTECTION

Audit Report on the Department of Environmental Protection's Recoupment of Change Order Costs for the Bowery Bay Water Pollution Control Plant Upgrade

Audit #7E12-101A

Comptroller's Audit Library #8214

Issued: November 19, 2012

Monetary Effect: Actual Savings: \$ 16,688
Potential Savings: \$9,182,730⁴

Introduction

The audit determined whether the Department of Environmental Protection (DEP) complied with appropriate standards to recoup the cost of change order work for upgrading the Bowery Bay Water Pollution Control Plant that resulted from design errors and omissions. In September 2000, DEP awarded a \$128.19 million construction contract (No. 20010011921) to a joint venture between Frontier-Kemper/Durr/Perini (Frontier JV) to upgrade the Plant. The contract schedule was extended from May 2004 to December 2010. Additionally, DEP awarded associated construction contracts to Lafata Corallo P&H, Inc. (No. 20010009200) totaling \$1.5 million, CDE Air Conditioning Co., Inc. (No. 20010008896) totaling \$27.45 million, and Lipco Electrical Corp. (No. 20010008879) totaling \$56.31 million. Information from DEP indicated that there were 295 change orders associated with the construction contracts of which 222 totaled \$68,323,733: 73 were credit change orders totaling \$62,834,663.

Contract changes are classified in various categories that include changes that are brought about by errors and omissions by project designers and consultants. If a construction contractor executes a design that was done in error by a design consultant, the contractor may remedy the deficient work under a change order. In these cases, City procedures require that agencies take steps to be reimbursed for the cost of the work by seeking recoupment from the design consultant. This requirement is intended to ensure that the City is not held liable for these costs. For the Plant upgrade, DEP classified four change orders totaling \$89,410 as design errors and 44 change orders totaling \$6,501,782 as design omissions. The combined value of these change orders was \$6,591,192.

Results

DEP did not adhere to procedures for recouping from consultants the cost of change order work that was categorized as a design error or design omission. The audit found that the combined value of change orders that should have been considered for possible recoupment but were not totaled \$6,591,192. Additionally, DEP improperly categorized certain change orders with multiple classifications that included design error or omission. Consequently, portions of change orders totaling an additional \$9,923,875 that were partly attributable to design errors and design omissions should have been considered for possible recoupment. DEP's compliance problems can be attributed to a lack of written standards and internal controls governing the recoupment of change orders costs necessitated by design errors and omissions.

DEP officials advised auditors in August 2012 that they recently established an Errors and Omissions Panel to oversee implementation of a policy to review change orders related to design errors and omissions and the recoupment of associated costs.

⁴Includes \$6,591,192 in change orders necessitated by design errors and omissions and \$2,591,538 in multiple change orders that DEP apportioned to design error and omission classifications.

This report makes a total of four recommendations, including that DEP:

- Ensure that applicable change orders necessitated by consultant design errors and omissions—including those identified in the audit—be referred to the agency's Errors and Omissions Panel for review and possible recoupment.
- Avoid multiple change order classifications.

In their response, DEP officials stated, "In general, the Department does not dispute the findings or the recommendations of the Draft Report." DEP agreed with three recommendations and disagreed with one recommendation.

Audit Follow-up

DEP reported that three recommendations are being implemented and continues to disagree with the remaining recommendation to immediately transmit to the Errors and Omissions Panel all applicable change orders identified in the audit report that were classified as design errors and omissions. DEP also reported that it has taken action to recoup \$16,688 for engineering services related to the preparation of design error or multiple classification design error change orders.

DEPARTMENT OF FINANCE

Audit Report on the Reliability and Accuracy of Commercial Rent Data Administered by the Department of Finance

Audit #7A12-130A

Comptroller's Audit Library #8231

Issued: February 7, 2013

Monetary Effect: Potential Revenue: \$8.4 million

Introduction

The Department of Finance (DOF) collects City revenues, encourages compliance with City tax and other revenue laws, values all real property in the City, provides a forum for the public to dispute tax and parking violation liability, and maintains property records. In Fiscal Year 2012, DOF collected approximately \$673 million in Commercial Rent Tax (CRT).

CRT is charged to commercial tenants who occupy or use a location for commercial activity in Manhattan south of 96th Street and locations that have an annual or annualized gross rent paid that is at least \$250,000. Tenants are exempted for reasons such as short rental periods, residential subtenants, use for theatrical productions, and not-for-profit status. The statutory tax rate is 6 percent of the base rent paid by tenants of the premises that are used to conduct any business, profession, or commercial activity. In addition, a tax credit is allowed for taxpayers whose annualized base rent is between \$250,000 and \$300,000.

An annual return (CR-A)⁵ is required to be filed by every tenant, on or before June 20, covering the preceding year from June 1 to May 31, unless the annual gross rent paid for any taxable location is \$200,000 or less and the rent received from any subtenant of the premises is \$200,000 or less. Every tenant subject to tax for a period must file a quarterly return (CR-Q1, CR-Q2, and CR-Q3). Quarterly returns are due for the three-month periods ending on the last days of August, November, and February of each tax year and must be filed within 20 days after the end of the period they cover. DOF utilizes an in-house system called Fairtax to process and maintain information relating to all those who pay these taxes and fines.

Results

The CRT data exists in a secure environment, and it is readily accessible to all essential users identified by DOF. The CRT data is generally reliable for collection purposes, and it generally contains the required information for enforcement and penalty collection purposes.

During the course of audit fieldwork, the audit noted several issues for DOF follow-up. CRT billing periods are kept independent of each other. As a result, previous period outstanding balances are not carried over to the next billing period, which may hamper collection efforts. The audit also identified an outstanding balance of \$8.4 million owed to the City. In addition, the audit found overpaid tax balances on the system totaling \$57.6 million, which DOF states are due to taxpayer filing errors or prepayments, rather than actual tax overpayments.

To address these issues, the audit makes four recommendations. DOF should:

- Ensure that the billing process is corrected and previous years' account balances are carried forward.
- Collect the outstanding taxes due as applicable.

⁵ CRT quarterly returns include CR-Q1, CR-Q2, and CR-Q3. The CRT annual return is CR-A.

- Review, analyze, and correct all the inaccurate overpaid information on the system.
- Review and, if necessary, modify its filing process to ensure taxpayers are following the filing instructions.

DOF officials generally agreed with one recommendation and disagreed with three recommendations.

Audit Follow-up

DOF reported that it is implementing the recommendation to collect outstanding taxes, but disagrees that \$8.4 million is owed. Moreover, DOF stated that it continues to disagree and will not implement the remaining three recommendations.

DEPARTMENT OF FINANCE

Audit Report on the Department of Finance's Efforts to Collect Outstanding Parking Fines from Participants in Its Stipulated Fine and Commercial Abatement Programs

Audit #FM11-110A

Comptroller's Audit Library #8210

Issued: October 18, 2012

Monetary Effect: Potential Revenue: \$9,262,544

Introduction

The Department of Finance (DOF) is responsible for the adjudication and collection of parking violations summonses issued by various authorized agencies. DOF has several programs to make it easier for commercial vehicle owners to save time and money resolving parking summonses. One such program is the Commercial Fleet Program (Program), which was created to help commercial vehicle owners track and manage their violations. A company with one or more vehicles registered or leased under the company's name and address is eligible to participate in the Program.

The Program includes two alternative programs, the NYC Delivery Solutions (Stipulated Fine) Program and the Commercial Abatement Program. Both programs allow participants to pay a reduced parking fine in exchange for waiving their rights to contest parking summonses and making their payments within 15 days. The amounts paid are based upon a pre-determined reduced rate for each type of violation. In addition to reduced fines, outstanding balances of Program participants are not assessed penalties or interest, their vehicles are not subject to tow, and DOF does not pursue judgments against participants for unpaid summonses. As of April 2012, there were 924 companies with outstanding fine amounts totaling \$7,729,458 registered in the Stipulated Fine Program and 593 companies with outstanding fine amounts totaling \$1,533,086 registered in the Commercial Abatement Program.

This audit determined whether DOF effectively collects fines for parking summonses issued to vehicles owned by companies participating in its Stipulated Fine and Commercial Abatement Programs.

Results

The audit found that DOF does not effectively pursue collection of outstanding fines for parking summonses issued to vehicles owned by companies participating in its Stipulated Fine and Commercial Abatement Programs. Further, companies were also allowed to continue in both Programs even after failing to pay for summonses issued prior to enrollment. In some cases, companies agreed to pay summonses when they entered either Program, made one partial payment, and then failed to make any further payments. DOF has no procedures on how to deal with non-compliant participants. DOF's pursuit of this debt is non-existent. As of April 2012, 1,517 companies participating in these reduced fine Programs owe \$9,262,544. However, if DOF were to adhere to the signed enrollment agreement and exercise its right to remove the non-compliant participants from their respective Program, unpaid summonses could be restored to the original amounts and DOF could seek judgments and pursue all enforcement efforts against those companies with outstanding balances.

The audit made four recommendations, including that DOF should:

- Revise its Weekly Fleet Summons Issuance Report to include all (not just newly issued) outstanding summonses sent to participants.
- Closely monitor Program participants' debt to ensure their compliance with Programs' policies.
- Establish formal written policies of enforcement actions to be taken against non-compliant companies, such as:
 - Implement enhanced notification efforts of any participant that does not pay all outstanding summonses listed on the Weekly Fleet Summons Issuance Report;
 - Set criteria to remove non-compliant companies from the Programs (i.e., set a monetary threshold or specify payment deadlines); and
 - Institute penalties and/or late fees for untimely payments.
- Remove companies that are not abiding by the terms of their enrollment agreement and restore the summonses to the unreduced amount. Then, it should pursue collection of restored summonses through default judgment in the amount of the original unreduced fine amount and impose all penalties and interest in accordance with the Rules of the City of New York (RCNY) §39-03.1.

DOF, in its response, has in substance agreed to implement the four recommendations. While there may be a disagreement over what has occurred and when, there is agreement over the appropriate course of action to take in improving the effectiveness of DOF in collecting unpaid fines.

Audit Follow-up

DOF reported that two recommendations are in the process of being implemented. One recommendation, to closely monitor Program participants' debt, has been partially implemented. DOF continues to disagree with and will not implement the remaining recommendation to revise the Weekly Fleet Summons Issuance Report.

DEPARTMENT OF FINANCE

Letter Report on the Audit of the Department of Finance's Administration of the Real Property Income and Expense Statement Filing Process

Audit #FM12-064AL

Comptroller's Audit Library #8197

Issued: July 5, 2012

Monetary Effect: None

Introduction

The Department of Finance (DOF) is responsible for the administration of the real property income and expense (RPIE) statement filing process. According to Title 19 of the Rules of the City of New York (Section 33-03) and the New York City Administrative Code (Section 11-208.1), owners of income-producing properties who fail to file an RPIE statement shall be subject to a penalty not to exceed 3 percent of the property's final assessed value. The law provides for an increased penalty, not to exceed 5 percent of the property's assessed value, if the owner does not file the RPIE statement the following year (i.e., did not file for two consecutive years).

The audit objective was to determine whether DOF properly assesses penalties on improperly or untimely filed RPIE statements.

Results

In the audit's opinion, DOF should improve its process for assessing penalties on RPIE statements that were filed improperly or untimely. The audit found that although the filing requirement and penalty provision have been in the law for over 25 years, DOF did not actively pursue or impose any monetary penalty against property owners who failed to file the required RPIE statement until 2010. In October 2010, DOF began notifying non-filers that they would be assessed a penalty if they did not comply with the filing requirements. However, DOF decided to impose a sliding scale penalty schedule, which is substantially less than the 3 percent prescribed under the law. Furthermore, auditors believe that DOF's list of property owners who potentially had to file an RPIE was not all inclusive. Lastly, it appears that DOF is not adequately monitoring the administration of the RPIE filing process.

The audit recommends that:

- DOF consider imposing the full 3 to 5 percent penalty allowed under the law against property owners who failed to file the required RPIE statement for 2011.
- DOF should review existing procedures to ensure that all property owners who potentially have to file an RPIE statement are included on DOF's RPIE list.
- All future lists be maintained so that their completeness can be reviewed and used for subsequent years' analysis.
- DOF should maintain at least basic statistics to be used by management for effective monitoring and tracking of property owner compliance.

DOF officials agreed or partially agreed with three of the four recommendations.

Audit Follow-up

DOF reported that two recommendations are being implemented, and one recommendation, to consider imposing full penalties against property owners who failed to file RPIE statements for

2011, has been partially implemented. It continues to disagree with and will not implement the remaining recommendation to consider auditing those property owners who continually fail to file RPIE statements.

DEPARTMENT OF FINANCE

Audit Report on the Department of Finance's Efforts to Collect Outstanding Parking Fines from Participants in Its Regular Fleet Program

Audit #FM13-081A

Comptroller's Audit Library #8268

Issued: June 25, 2013

Monetary Effect: Potential Revenue: \$1,293,480

Introduction

The Department of Finance (DOF) is responsible for collecting and processing payments for all parking tickets or fines. DOF has several programs allowing for commercial vehicle owners to save time and money resolving parking fines. One such program is the Commercial Fleet Program (Regular Fleet Program), which was created to help commercial vehicle owners track and manage their parking fines. A company with one or more vehicles registered or leased under the company's name and address is eligible to participate in the Regular Fleet Program.

The Regular Fleet Program follows the provisions contained in Chapter 39 of Title 19 of the Official Compilation of Rules of the City of New York (RCNY). Companies enrolled in the Program receive a weekly Fleet Summons Issuance Report listing new summonses issued to vehicles with plates registered in the Program. These parking fines are penalty-free for a period of 45 days within which the companies can either pay or contest the summonses. Vehicles registered in the Program are not subject to tow for unpaid parking fines.

As of December 2012, there were 1,711 companies actively enrolled in the Regular Fleet Program, of which 1,124 had outstanding ticket amounts totaling \$5,324,946. Out of the total outstanding fine amount, 316 companies have a total of \$1,293,480 in outstanding parking tickets older than nine months.

This audit determined whether DOF has effectively collected fines for outstanding parking summonses issued to commercial vehicles with license plates enrolled in the Regular Fleet Program.

Results

The audit found that DOF does not effectively collect fines for outstanding parking summonses issued to owners of commercial vehicles with license plates enrolled in the Regular Fleet Program. DOF's failure to hold companies accountable to the terms of their Fleet Program Enrollment Agreement may result in the City losing millions in potential revenue. Although most fleet companies voluntarily pay their summonses, certain companies have been allowed to continue in the Program even though they have accumulated unpaid parking fines for years and little, if any, enforcement actions have been taken against them. DOF does not effectively pursue actions against Regular Fleet Program companies with judgment debt, and there may be a potential revenue loss as these amounts may eventually be deemed uncollectible and be

written off. In addition, DOF did not monitor or resolve discrepancies between its Summons Tracking Accounts Receivable System (STARS) database and Department of Motor Vehicles (DMV) records, resulting in inestimable revenue loss for the City.

The audit made three recommendations, including that DOF should:

- Remove companies that are not abiding by the terms of the Program according to the RCNY, §39-03 and reinstitute towing of their vehicles.
- Establish formal written policies with specific time lines of when enforcement actions should be taken against non-compliant companies. The written policies should include timeframe requirements as to when enforcement actions, such as bank restraints and property seizures, should be initiated, and when the company should be terminated from the program.
- Review reports showing discrepancy between information contained in STARS and DMV records and update the STARS database accordingly to avoid such conflicts.

DOF, in its response, has in substance agreed to implement the three recommendations. While there appears to be disagreement over the intent of the audit objective, the presentation of our findings, and the sampling methodology, there is agreement over the appropriate courses of action to take to improve DOF's effectiveness in collecting unpaid fines.

Audit Follow-up

DOF reported that two recommendations have been implemented and the remaining recommendation has been partially implemented. DOF has established formal written policies but disagrees with establishing a timeline for enforcement action against non-compliant companies.

DEPARTMENT OF FINANCE

Letter Report on the Audit on the Calculation and Application of Property Tax Abatement Benefits for the Commercial Revitalization Program by the Department of Finance

Audit #FM13-086AL

Comptroller's Audit Library #8267

Issued: June 20, 2013

Monetary Effect: Potential Revenue: \$9,475

Introduction

The Commercial Revitalization Program (CRP) is designed to increase tenant occupancy in office and retail space in lower Manhattan and reduce building obsolescence by encouraging investment in older commercial space built before 1975. The CRP provides tax incentives through property tax abatements for non-residential or mixed-use premises. To qualify for a CRP abatement benefit, property must be located in the area bounded by Murray Street and Frankfort Street on the north, South Street on the east, Battery Place on the south, and West Street on the west. The abatement is a reduction in property tax for the building owner and is usually passed through to the tenant in lower rent. However, the Department of Finance (DOF)

does not decide how the building owner will credit the benefit to the tenant. This is determined between the two parties.

This audit determined whether DOF properly calculated and applied property tax abatement benefits according to the requirements of Section 499 of the New York State Real Property Tax Law.

Results

The audit found that DOF properly calculated and applied property tax abatement benefits in accordance with program requirements. However, there were some procedural weaknesses that could be improved upon. The audit found that DOF did not always insist that the building owner submit sufficient documentation such as invoices or checks to support renovation costs when the renovations were completed. In addition, DOF did not always revoke the benefits when the building owner failed to file the Certificate of Continuity Eligibility (CCE) form, and building owners did not always inform DOF when a tenant vacated the premises. DOF's Abatement Revitalization Program (ABRP) database shows that from November 2012 through May 15, 2013, a building owner continued to receive CRP benefits totaling \$9,475 without a penalty for not informing DOF that the tenant vacated the premises.

The audit made the following three recommendations to DOF to address these issues:

- Require building owners to provide sufficient reliable supporting documentation (invoices and canceled checks) indicating the total renovation costs expended.
- Continue to revoke benefits when a CCE form is not submitted.
- Recoup the benefits granted to the owner of the building where the tenant vacated the property identified in this audit.

In its written response, DOF agreed with the audit's findings and recommendations and described the steps it has taken or will take to implement the report's recommendations.

Audit Follow-up

DOF reported that two recommendations are being implemented, but continues to disagree with the remaining recommendation. DOF said it has been requiring CCE forms well before the commencement of the audit and has every intention of continuing to do so.

DEPARTMENT OF FINANCE

Follow-up Audit Report on the Department of Finance's Administration of the Senior Citizen Rent Increase Exemption Program

Audit #MG12-118F

Comptroller's Audit Library #8219

Issued: December 3, 2012

Monetary Effect: Actual Revenue: \$9.8 million

Introduction

This follow-up audit assessed the implementation status of seven recommendations made in the prior audit, *Audit Report on the Department of Finance's Administration of the Senior Citizen Rent Increase Exemption Program* (Audit No. MG11-053A, issued on September 23, 2011), that found that the Department of Finance (DOF) had inadequate controls in place to ensure that all tax abatement credits (TACs) are appropriately issued to landlords.

DOF administers a broad range of programs that offer tax credits, one of which is the Senior Citizen Rent Increase Exemption (SCRIE) program. This program provides an exemption to eligible tenants from future rent increases and offers the landlords an equivalent credit on their property taxes. Tenants who apply and are determined to be eligible are legally entitled to SCRIE benefits. Landlords do not have the authority to refuse participation or to prevent a tenant from participating in the SCRIE program.

Prior to September 18, 2009, SCRIE applications were processed by the Department for the Aging (DFTA) and TACs were issued by DOF. As of September 18, 2009, DOF also began processing initial applications and, by January 2010, DOF was responsible for the entire SCRIE program. For our scope period of July 1, 2009, through May 31, 2012, DOF issued \$357.9 million in TACs on behalf of 54,299 tenants. During this period, DOF also retrieved \$22.5 million in previously issued TACs.

Results

The follow-up audit found that DOF has improved its administration of SCRIE. Of the seven recommendations made in the previous audit, DOF implemented six and partially implemented one.

The follow-up audit determined that since the previous audit, DOF has established formal policies and procedures to guide its staff in processing SCRIE applications and related information. In addition, DOF did investigate the accounts with deceased tenants identified in the previous audit and, as of May 31, 2012, had retrieved a total of \$9.8 million in TACs. Moreover, DOF has developed controls to ensure that SCRIE records are accurately updated and that benefit transfers are correctly performed for deceased tenants with eligible household members. DOF has also developed additional controls, such as the use of LexisNexis to research missing applicant information; has instituted a web-based system to scan and store all SCRIE documents; and currently conducts periodic reviews of SCRIE user accounts.

However, although DOF does currently perform monthly death matches of its SCRIE database with individuals listed as deceased in the Social Security Administration's Death Master File, it does not perform death matches against all open accounts--specifically for tenants with open accounts who have not renewed their leases. As a result, DOF does not retrieve all TAC payments that were issued subsequent to the death of a tenant and does not always accurately update its database to reflect the current status of all SCRIE accounts. In addition, DOF does not

always follow its own policies and procedures pertaining to the recoupment of funds after a change in circumstance. As a result, DOF did not always retrieve the correct TAC payments.

The follow-up audit made three new recommendations, including that DOF should:

- Include all open accounts in its monthly death matches against the Social Security Administration's Death Master File.
- Adhere to the timeframes stipulated in its policies and procedures pertaining to the recoupment of funds.
- Investigate and adjust the 16 accounts that were incorrectly processed.

DOF officials agreed to implement all of the audit's recommendations.

Audit Follow-up

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

NEW YORK CITY FIRE DEPARTMENT

Audit Report on the Expenditures Submitted by PURVIS Systems Incorporated for Its Contracts with the New York City Fire Department

Audit #FM13-054A

Comptroller's Audit Library #8272

Issued: June 27, 2013

Monetary Effect:	Actual Revenue:	\$ 80,569
	Potential Revenue:	\$1.04 million

Introduction

PURVIS Systems Incorporated (PURVIS) specializes in providing technology and communications services and systems to the public sector. During the audit scope period (July 1, 2004, to October 2012), PURVIS had six multi-year contracts with the New York City Fire Department (FDNY). Five of these contracts were procured utilizing the New York State Office of General Services (OGS) Back-Drop contracts. Those five contracts, with a total contract amount of \$98.1 million, required PURVIS to provide services such as maintaining and repairing the Starfire Computer Aided Dispatch (CAD) system; maintaining and repairing the Voice Alarm (VA) system; providing upgrades to the Emergency Reporting System (ERS) and Electro-Mechanical Alarm Display System (EMADS); designing and installing a new digital voice alarm system; and designing and installing an electronic Patient Tracking System (PTS).

The audit's objective was to determine whether PURVIS accurately and properly billed the City in accordance with the terms of its City contracts and whether FDNY adequately monitored the bills submitted by PURVIS.

Results

The audit could not determine whether PURVIS accurately and properly billed the City in accordance with the terms of five City contracts because of deficiencies in FDNY's contract management. Specifically, FDNY did not require PURVIS to provide detailed information on its consultants' timesheets that would allow verification of work hours and work locations (which affected the rate paid) and did not include non-travel rates for certain titles within its contracts despite the fact that some consultants with these titles did not travel. FDNY also did not ensure that consultants were qualified for their respective work titles. These deficiencies resulted in FDNY approving payments without sufficient documentation. Based on the audit of the documentation available, we question \$1.12 million in payments made to PURVIS.

FDNY also paid PURVIS for hardware purchases prior to the hardware being delivered to FDNY, and there was no pre-approval of the hardware purchases as required by the contract. In addition, we question whether FDNY obtained the best price for the City when three of the five contracts were negotiated. The three contracts reviewed were signed within a month of each other, yet the hourly rates varied from 16 percent to 51 percent for the same OGS titles. If the three contracts were negotiated with the lowest hourly rates for each title, the City could have saved an estimated \$7.02 million over the terms of the two contracts with the higher hourly rate.

Lastly, PURVIS had a significant mark-up for services that it obtained from subcontractors. These mark-ups ranged from 9 percent to 288 percent. The auditors' research found that several municipalities impose limits on the amount of these markups, ranging from 0 percent to 10 percent. Had FDNY imposed a maximum of a 10 percent subcontractor mark-up on these contracts, the City could have saved an estimated \$4.6 million.

The audit made the following five recommendations to FDNY:

- Consider seeking reimbursement for the \$1,119,516 (\$870,719 for non-travel staffing billed at travel rate + \$248,797 for staff who did not qualify for the titles billed).
- Ensure that all future contracts:
 - Include non-travel rate titles that correspond to travel rate titles when applicable.
 - Require its contractors to provide more detailed information on timesheets.
- Consider that all future contracts include a clause:
 - To ensure that the City is getting the best pricing from its contractors and that any cost savings are being passed along to the City.
 - To limit the mark-up a contractor can charge on services or materials to ensure the City is getting the best pricing from its vendors.
- Strengthen the controls on its payment approval process.
- Ensure that contractors awarded multiple contracts for similar services are providing the best price on those contracts.

FDNY officials disagreed entirely with the audit's findings and conclusions and disagreed with most aspects of the recommendations. In its response, PURVIS officials said they believe they were fully compliant with all contract requirements. Auditors disagree with FDNY's and PURVIS's positions. FDNY officials need to revisit the position they took in their response and deliberate anew the matters discussed herein. This might result in a change of opinion that will bring positive changes to FDNY's contract negotiation and payment processes.

Audit Follow-up

FDNY reported that PURVIS agreed to give FDNY a credit of \$80,568.91 for incorrect billing. FDNY continues to partially agree with aspects of one recommendation, but continues to disagree with the remaining four recommendations.

DEPARTMENT OF HEALTH AND MENTAL HYGIENE

Letter Report on the Department of Health and Mental Hygiene's Fiscal Monitoring Practices over the Prison Health Services Contract

Audit #FM13-055AL

Comptroller's Audit Library #8255

Issued: May 28, 2013

Monetary Effect: None

Introduction

On December 19, 2000, New York City Health and Hospitals Corporation (HHC) awarded a contract to Prison Health Services, Inc. (PHS) to provide health care services to approximately 14,000 inmates held daily in the custody of the New York City Department of Correction (DOC). On April 15, 2003, the existing agreement between HHC and PHS was assigned to the Department of Health and Mental Hygiene (DOHMH) for the term of July 1, 2003, to December 31, 2004. PHS was awarded another contract in 2005, which was renewed in 2008 and further extended in 2010. The audit's review covered the 2010 agreement, which was in effect from January 1, 2011, through the December 31, 2012, contract extension period. Under the agreements, PHS was, and still is, responsible for providing a variety of health services to New York City inmates, such as health examinations during the intake process, care for inmates and follow-up visits, laboratory and pharmacy services, specialty and emergency care, chronic condition care, and substance abuse treatment. PHS was paid \$250,801,798 out of the total maximum reimbursable amount of \$309,525,039 in accordance with the 2010 agreement for the period January 1, 2011, through December 31, 2012.

This audit determined how effective DOHMH practices are in ensuring that it was billed accurately by PHS for Personal Service (PS) and Other Than Personal Service (OTPS) costs.

Results

The audit found that DOHMH adequately monitors the fiscal aspect of the PHS (now known as Corizon Health) contract. In that regard, DOHMH reviews monthly expense reports and performs quarterly adjustments to reconcile semi-monthly fixed payments with the actual expenses incurred. DOHMH reviews the payroll reports, fringe benefit reports, and OTPS invoices for reasonableness and accuracy of the actual expenses reported. The audit also found that DOHMH ensures PHS only bills the City for goods and services necessary to comply with the agreement, obtains necessary DOHMH approvals, and maintains adequate records to support all the PS and OTPS expenses. However, the audit found that the invoices related to one subcontractor (Urgicare) did not have detailed time records to support hours worked, sales tax was paid by PHS and reimbursed by DOHMH, and PHS was reimbursed for expenses at the end of Fiscal Year 2012 for services that were performed in Fiscal Year 2013.

The audit made the following three recommendations to DOHMH to address these issues:

- Urgicare physicians use Kronos or another professional timekeeping invoice system as required under the contract.
- Obtain legal guidance as to whether PHS is required to pay sales tax. If PHS is required to pay sales tax, determine if it is more cost effective for DOHMH to obtain necessary items directly.
- PHS does not submit expenses at the end of the fiscal year for goods or services that will be received or rendered in the following fiscal year.

Audit Follow-up

DOHMH reported that two recommendations have been implemented and the remaining recommendation is in the process of being implemented. The New York State Department of Taxation advised DOHMH that Corizon Health was not tax exempt and not able to apply for a refund from the State. However, DOF advised DOHMH to apply for a refund.

DEPARTMENT OF HEALTH AND MENTAL HYGIENE

Audit Report on the Department of Health and Mental Hygiene's Monitoring of Early Intervention Contractors

Audit #MJ12-090A

Comptroller's Audit Library #8262

Issue Date: June 10, 2013

Monetary Effect: None

Introduction

This audit determined the adequacy of the Department of Health and Mental Hygiene's (DOHMH) monitoring of contracted Early Intervention (EI) provider agencies' provision of services, fiscal management, and compliance with EI Program regulations.

The New York State EI Program provides rehabilitative and support services to eligible infant and toddler children (aged 0-3 years) with developmental delays or disabilities and their families. DOHMH is responsible for the local administration, oversight, and fiscal management of the EI Program for eligible children who reside in New York City. DOHMH contracts with State-approved EI provider agencies to deliver most program services. Provider agencies employ staff and/or sub-contractors that directly service the children either at home or in a facility-based setting (i.e., daycare, hospital, etc.) according to their respective Individualized Family Service Plan. DOHMH, through its fiscal agent, CSC Covansys Corporation (CSC), processes and pays provider agency billing claims for services rendered and seeks reimbursement from Medicaid, the State, and private insurance carriers for EI services delivered to eligible children and their families.

In Fiscal Year 2011, DOHMH had contracts with approximately 150 provider agencies to deliver EI services for approximately 34,000 eligible children and their families at a budgeted cost of \$440.9 million, funded through a combination of State and City sources, and Medicaid and private insurance reimbursement.

Results

DOHMH has procedures and mechanisms in place to actively monitor EI provider agencies' performance, fiscal management, and compliance with regulatory and contract requirements. These include monitoring visits and related follow-up carried out by the Bureau of Early Interventions' (BEI) monitoring unit and independent audits of provider agencies performed by Certified Public Accountant (CPA) firms under contract with and overseen by the Audit Services Division. DOHMH's monitoring activities are aligned with New York State EI program requirements and, for the period under review, DOHMH complied with its monitoring procedures. However, DOHMH needs to enhance its monitoring procedures to address certain

control weaknesses disclosed by this audit, which may render ineffective some of the agency's monitoring efforts.

Specifically, the audit found that BEI's monitoring unit did not have a procedure to ensure that all provider agencies (including those for which risk was assessed as minor) were visited at some point over a period of time (e.g., once every two or three years). BEI's monitoring unit also lacked evidence detailing the specific criteria that it used to select those provider agencies for which it performed monitoring visits during Fiscal Years 2009 – 2011. Further, as a routine practice, DOHMH did not obtain verification of service delivery from parents or caregivers or observe the performance of services during monitoring visits to confirm that the service sessions for which DOHMH is paying were actually provided. This weakness is of particular concern considering that in Fiscal Year 2011, DOHMH paid \$437.5 million to provider agencies for services rendered.

Regarding the processing and payment of billing claims, the audit concluded that if all processes and functions work as described and designed, the controls built into CSC's automated claims adjudication process would likely provide adequate monitoring over EI provider claims and payments in tandem with DOHMH EI Fiscal oversight. These controls and functions are intended to ensure that the submitted claims for services are authorized, complete, and fall within acceptable ranges. However, for the period under review, DOHMH had not required that CSC hire an independent CPA firm to review and attest to its operating environment and general controls. In consideration of these issues, DOHMH officials took action during the audit to address most of the matters discussed above.

To address these weaknesses, the audit made six recommendations, including that DOHMH should:

- Develop a monitoring cycle (e.g., three- or four-year cycle) during which, regardless of risk, each provider agency will be assigned a monitoring visit at least once each cycle. However, larger programs should continue to be visited more frequently.
- Require program evaluators to obtain verification or confirmation of provider service delivery from parents or caregivers and/or observe the performance of services while at a facility-based provider agency to obtain greater assurance that service sessions for which DOHMH is paying were actually provided.
- Require a Service Organization Control Report 2 level of assurance from CSC given the regulatory requirements concerning privacy and security and the significant volume and dollar value of provider agency claims and payments thereof.

Audit Follow-up

DOHMH reported that three recommendations have been implemented and that two were in the process of being implemented. For the remaining recommendation about requiring a Service Organization Control Report 2 from CSC, DOHMH reported that it was no longer applicable because the agency was in the final year of a contract with CSC.

DEPARTMENT OF HOMELESS SERVICES

Audit Report on the Department of Homeless Services' Monitoring of the Homebase Program

Audit #MG12-125A

Comptroller's Audit Library #8273

Issued: June 27, 2013

Monetary Effect: None

Introduction

This audit determined whether the Homebase program is being implemented in accordance with relevant guidelines and requirements.

The Department of Homeless Services (DHS) is responsible for preventing homelessness and providing emergency shelter and social services to homeless families. The Homebase program is designed to help families overcome immediate housing problems that can result in homelessness. Through its contracts with eight community-based organizations which are located in 12 locations throughout the five boroughs, DHS helps homeless families and individuals gain self-sufficiency and move from temporary to permanent housing. According to DHS, \$16.9 million in Federal funds and \$778,469 in City funds were expended on the Homebase program in Fiscal Year 2012.

In Fiscal Year 2012, providers enrolled 10,847 clients in the Homebase program. Homebase provided these clients with services to help solve their various housing needs. These services included financial assistance, and legal, employment, and tenancy services. DHS was responsible for overseeing the Homebase program and for ensuring that providers followed the terms of their contracts and DHS program criteria.

Results

DHS ensured that the program was carried out in accordance with the guidelines and criteria of its program. DHS conducted annual performance evaluations, risk assessment reviews, and case file audits in conjunction with a contracted CPA firm. In addition, DHS ensured that any issues reported in the audits were corrected by the providers. DHS also met with providers on a monthly basis, ensured that providers received training as it pertained to the guidelines of the program, and provided support and guidance when necessary. Furthermore, the audit found no issues with the services offered to clients.

However, the audit identified weaknesses that DHS should correct. Specifically, DHS should develop written policies and procedures governing the entire monitoring process, including its monitoring checklist. In addition DHS should require that its providers maintain records explaining their initial determinations of client ineligibility and should discontinue its practice of providing advance notice for all of its risk assessments and case file audits. Furthermore, DHS should formally track the complaints it receives relating to the Homebase program.

To address these issues, the audit made six recommendations, including that DHS should:

- Compile written policies and procedures that its staff can use in the course of monitoring the compliance of Homebase providers with their contracts.
- Require that Homebase providers maintain records of their eligibility assessments of those denied services during the initial inquiry stage of the process.
- Require that some of the audits and site visits to the Homebase providers be unannounced.

- Maintain a record of complaints it receives pertaining to the Homebase program so that it can track and monitor the resolution of the complaints as well as identify any specific areas that require additional attention.

DHS officials agreed to implement one of the six recommendations in the report and asserted that they already complied with three other recommendations. DHS officials disagreed with the remaining two recommendations.

Audit Follow-up

DHS reported that it has implemented the recommendation that it agreed with and continues to disagree with the remaining five recommendations, asserting that it is already in compliance with three of the five recommendations (to create policies and procedures, to update the monitoring of checklist, and to track complaints). However, DHS has not provided any new evidence to support these claims.

DEPARTMENT OF HOMELESS SERVICES

Down & Out: A Study on How New York City Places Its Homeless Shelters

Report #RS13-116S

Comptroller's Audit Library #8253

Issued: May 2013

Monetary Effect: None

Introduction

This study analyzes the City's process for deciding where to site (or locate) family and adult homeless shelters.

In 1989, the New York City Charter required the mayor, in consultation with the borough presidents, to establish rules for siting, expanding, and disposing of City facilities. In 1990, the New York City Planning Commission (CPC) adopted a set of criteria to guide decision-making for the placement of City facilities. Known as the Fair Share Criteria (Criteria), these rules were intended to "further the fair distribution of the burdens and benefits associated with City facilities, consistent with community needs for services and efficient and cost effective delivery of services."

Transparency in decision-making is a cornerstone of implementing the Criteria. Thus, the objective of this study is to determine if the City's goal of transparency is being effectively achieved by implementation of the Fair Share Criteria. While the Criteria apply to many different types of facilities located throughout the City, this study represents an analysis of Fair Share across the City's homeless shelter system. This study looks at how Tier II (family) and adult shelters operated or contracted by the Department of Homeless Services (DHS) are located through the Fair Share process and addresses the following research questions:

Is the goal of early and open public consultation being achieved in the Fair Share process?

- Is there a consistent level of transparency in siting different types of homeless shelters, specifically shelters that are operated directly by City agencies versus contracted facilities?

- Is adequate oversight and reporting of Fair Share in place?

The study assesses these research objectives and discusses their implications for transparent decision-making to determine if the City is achieving an open and systematic planning process. The research includes a spatial analysis of homeless family and adult shelters across New York City in order to determine if geographic patterns exist in the distribution of shelters Citywide. The purpose of the spatial analysis is to inform the reader of the number and location of such facilities. The study also includes an overview of the Fair Share process as it applies to different types of homeless shelters and defines key terms. The goal of this research is ultimately to determine if shelter placement is being conducted in a transparent manner consistent with its intended goals and to determine if there is a consistent level of transparency across different types of shelters.

The research process for this study included a review of materials from the City Charter, City agencies, community boards, contracts, and documents obtained via Freedom of Information Law (FOIL) requests.

Results

Regarding the first research objective, the study found that access to information can be strengthened by providing greater accessibility to public information and public consultation earlier in the process. Key planning documents are limited in scope and accessibility, thereby weakening the public's ability to make informed decisions and provide input.

Recommendations included providing a complete list of shelters in key planning documents such as the Statement of Needs and greater detail about proposed shelter locations. The City should also make public information, specifically the City Map and Gazetteer, electronic and free of charge.

Analyzing research objective number 2 found that public involvement varies across different types of shelters. For example, contracted shelters are subject to weaker public involvement than those that are sited through the City's uniform land use process and non-contracted shelters are not subject to Fair Share and lack City oversight. Additionally, we found that emergency shelters often become a pathway for establishing long-term shelters, potentially bypassing proper planning.

Recommendations addressing these issues suggest that contracted facilities undergo greater scrutiny and require more robust public review and that DHS follow the City's procurement rules for Per Diem (non-contracted) shelters. Additionally, DHS should disclose information and consult communities earlier in siting emergency shelters that become permanent shelters.

Lastly, in analyzing our third research objective, the study found that while guidelines are in place to monitor and report on Fair Share, consistent oversight is lacking as is a systematic and citywide analysis of the process.

Recommendations regarding these issues include revising Fair Share to require monitoring and reporting on a regular basis and conducting a comprehensive analysis of Fair Share's implementation.

Report Follow-up

Not applicable.

NEW YORK CITY HOUSING AUTHORITY

Audit Report on the Development and Implementation of the New York City Housing Authority's Improving Customer Experience Initiative

Audit #7A12-134

Comptroller's Audit Library #8275

Issued: June 30, 2013

Monetary Effect: None

Introduction

This audit determined whether the New York City Housing Authority's (NYCHA) Customer Experience (NICE) initiative is meeting its overall goals and improving reliability of information.

NYCHA is responsible for providing quality affordable housing for low- and moderate-income New Yorkers. More than 400,000 New Yorkers reside in NYCHA's public housing developments within the five boroughs. NYCHA also administers the Section 8 Leased Housing Program through which approximately 235,000 New Yorkers receive subsidized rental assistance in private homes.

In 2007, NYCHA launched a major multi-year NICE project. NICE is an enterprise-wide information technology program aimed at improving customer service and automating business processes by replacing outdated department systems and manual processes. To accomplish its initiative, in 2007, NYCHA entered into a \$42.4 million five-year contract with IBM Corp. to develop and implement NICE and to replace its legacy systems and automate its business process functions. Based on the contract, NICE was to be implemented in two major releases. Release 1, expected to be implemented in December 2008, would expand NYCHA's Customer Call Center (CCC) capability and automate the function of the Maintenance Operations Department via the Maximo module and the inspection processes. Release 2, expected to be implemented in August 2009, primarily focused on automating manual processes and replacing outdated systems within the Leased Housing Department (LHD) and the Application and Tenancy Administration Department (ATAD).

Results

NICE is currently operational and has improved NYCHA's customer service function and automated its business processes. However, NYCHA encountered problems during system development and implementation, which resulted in project delays. These delays occurred due in part to inadequate planning in designing business and system requirements, which resulted in the need for system redesign and enhancements. Further, despite NYCHA's identified system improvements, it still has not fully implemented the online self-service capabilities for NYCHA tenants and applicants. System enhancements have also increased the NICE contract from \$42.4 million to over \$60 million.

Further, the review found NICE task log issues are unresolved. As of February 2013, there were 61 Maximo open issues and 109 high priority Siebel open items on the Task Log, which records system issues dealing with system performance. These open items include wrong work order priority levels and too many steps to close work orders. Some Siebel high priority issues identified include the system freezing while creating service requests and a non-responsive toolbar when trying to answer a call.

In addition, the audit found access control weaknesses such as not disabling or deleting users who should not have access to the system. Three hundred and seventy-three Siebel users not employed at NYCHA still appeared on the current active user list.

Finally, the Siebel user satisfaction survey revealed that 44 percent of the users reported that the information displayed is not easy to work with, 19 percent of users felt that the data was often inaccurate, and 65 percent of the users stated they would like to see changes made to the system.

This report makes a total of eight recommendations, including that NYCHA should:

- Ensure that business and system requirements are adequately defined for all future system developments.
- Monitor and ensure all future system developments and eService modules are properly completed on schedule.
- Monitor and ensure all issues reported on the Task Log are addressed and resolved.
- Conduct periodic surveys to ensure that user concerns are promptly addressed.
- Establish and promote feedback facility to track and monitor user satisfaction.
- Ensure user access is given only to essential users.
- Periodically review the status of inactive user accounts.
- Establish the proper controls to ensure that once employees are no longer employed with NYCHA, their access to Siebel is immediately removed.

NYCHA officials agreed with four recommendations and partially agreed with four recommendations.

Audit Follow-up

NYCHA reported four recommendations are being implemented and the remaining four recommendations are in the process of being implemented. NYCHA stated that it is in the process of hiring new project managers to help manage projects and provide training, and will conduct user surveys during the last quarter of 2013.

HOUSING DEVELOPMENT CORPORATION

Audit Report on the Housing Development Corporation's Administration of the Mitchell-Lama Repair Loan Program

Audit #7E12-139A

Comptroller's Audit Library #8259

Issued: May 29, 2013

Monetary Effect: Potential Savings: \$10.2 million

Introduction

The audit determined whether the Housing Development Corporation (HDC) is approving property repairs to be financed by the Mitchell-Lama Repair Loan Program and ensuring that the repairs funded by the program loans are carried out effectively. HDC holds first mortgages on approximately 75 Mitchell-Lama rental and cooperative housing developments. In 2004, the Mitchell-Lama Preservation Program was created by HDC to encourage owners to keep their properties within the Mitchell-Lama program and thereby protect the tenants living in these developments. As part of the Preservation Program, the Repair Loan Program makes financing available to owners and cooperative corporations for making necessary capital improvements on buildings in disrepair. The repairs must be approved by HDC in advance of making the loan.

As of the commencement of this audit, HDC had provided \$72,782,134 in Repair Loan funding to 18 Mitchell-Lama properties.

Results

HDC has been approving property repairs to be financed by the Repair Loan Program, and these approvals are being made by Credit Committee vote prior to the loan closing date. Also, the repairs/improvements funded by the Repair Loans were performed in a satisfactory manner. However, Repair Loan funds totaling \$10 million were not used in accordance with the program criteria; they were used to reduce accounts payable, to pay off principal and/or interest of loans obtained from private entities, and to pay liens. Additionally, the audit identified a number of areas where controls and procedures could be strengthened.

This report makes a total of six recommendations, including that HDC:

- Ensure that Repair Loan Funds are only used for new capital repair/improvement work or system modernization as per the program's criteria; other uses should be denied.
- Develop guidelines as to how estimates should be presented. These guidelines should address soft costs, contingencies, funding sources, and work item breakouts.
- Develop formal procedures for reviewing and approving changes in project work scopes and/or funding.
- Ensure that loan closing memos are prepared in a timely manner.
- Develop guidelines to explain how to count superintendent-occupied units in specific situations.
- Ensure that closing dates associated with Repair Loans are correct in its database system.

In its response, HDC agreed with five recommendations and disagreed with one recommendation. HDC stated, "Under the terms of the Board's approval, the President of the Corporation is authorized to make repair loans subject to HDC Credit Committee approval . . .

As stated in your report, all Mitchell Lama Repair Loans were made with Credit Committee Approval. HDC therefore does not agree with your finding that funds were not used in accordance with program criteria.”

Audit Follow-up

HDC reported that four recommendations are being implemented and one recommendation (to develop guidelines for counting superintendent occupied units) is in the process of being implemented. Regarding a recommendation to ensure that repair loan funds are only used for new capital repair/improvement work, HDC stated that all approved loan funds were true to the fundamental intent of the program.

DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT

Audit Report on the Department of Housing Preservation and Development's Administration of Its Family Self-Sufficiency Escrow Account

Audit #FM12-082A

Comptroller's Audit Library #8211

Issued: October 19, 2012

Monetary Effect: None

Introduction

This audit determined whether the Department of Housing Preservation and Development (HPD) administered its Family Self-Sufficiency (FSS) account in accordance with applicable rules and regulations.

FSS is funded by the federal government through the Department of Housing and Urban Development (HUD) and is designed to assist families in obtaining employment that will allow them to become economically independent and reduce their reliance on Section 8 subsidies received through HPD. By increasing earned income and paying a higher portion of rent, a participant reduces reliance on Section 8 payments. However, the amount of Section 8 payments, also known as Housing Assistance Payments (HAP), requisitioned for the participant does not change. The HAP funds not used by HPD, due to the increased earnings of the participant, are deposited into an interest-bearing subaccount on behalf of the participant. Participants who complete their goals receive the balance in their subaccount upon graduating from the program.

In August 2009, the Department of Finance approved HPD's request to replace its existing FSS checking account with a new interest-bearing account within the same institution. According to HPD records, as of October 2010, the FSS account had a balance of \$2.1 million.

Results

HPD processed disbursements in accordance with its bank account procedures and performed the requisite bank reconciliations in a timely manner. However, HPD does not ensure that subaccounts are established and maintained for program participants. Furthermore, HPD does not properly track deposits to ensure that those subaccounts reflect accurate and up-to-date totals. As a result, HPD requisitioned funds for participants who were no longer in the program, which contributed to the excessive and unnecessary accumulation of funds in the account. For example, on June 18, 2010, HPD had to transfer \$4.3 million in excess funds from the FSS account to its HAP fiduciary account. Funds that are improperly requisitioned and held in escrow could affect HPD's program renewal needs and possibly lead to the misuse of program funds.

The audit report made four recommendations. HPD should:

- Review all subaccounts to determine whether the participants are still in the program and make any necessary adjustments.
- Transfer all funds unassigned, held in reserve, or forfeited to the HAP fiduciary account in accordance with HUD guidelines.
- Update its bank account procedures to reflect the change in banking institutions.
- Comply with HPD procedures by reviewing deposits on a monthly basis to ensure that funds were applied in the correct amount to the correct subaccounts.

In its response, HPD did not dispute the audit's findings and agreed with all four recommendations.

Audit Follow-up

HPD reported that all four recommendations have been implemented.

DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT

Audit Report on the Department of Housing Preservation and Development's Alternative Enforcement Program

Audit #MD12-084A

Comptroller's Audit Library #8242

Issued: April 9, 2013

Monetary Effect: None

Introduction

The audit determined whether the Department of Housing Preservation and Development (HPD) complied with the key provisions of Local Law 29 of 2007, Local Law 7 of 2011, and Section 27-2153 of the Administrative Code.

HPD is the largest municipal developer of affordable housing in the nation. In November 2007, HPD implemented the Alternative Enforcement Program (AEP), which was created by Local Law No. 29 of 2007 and amended in January 2011 by Local Law No. 7 of 2011, in an effort to increase pressure on landlords of the City's worst buildings to correct housing code violations and the conditions that caused the violations.

The AEP is intended to improve conditions in buildings with multiple dwelling units (buildings) with serious physical deterioration by ensuring that emergency conditions are corrected and that underlying physical conditions related to housing code violations are addressed either by the owner or by HPD. The criteria for identifying the buildings that will participate in the AEP are set forth in §27-2153 (Alternative Enforcement Program) of the New York City Administrative Code. For a building to be discharged early from the AEP (within the first four months of being selected), owners must apply for an AEP Dismissal Request Inspection, correct the cited violations, provide required documentation to the City, and either pay all outstanding charges, including liens, for emergency repair work performed by HPD or enter into an agreement with the Department of Finance (DOF) to pay such charges and liens.

Results

HPD complied with the key provisions of Local Law 29 of 2007, Local Law 7 of 2011, and Section 27-2153 of the Administrative Code, except for performing the required quarterly monitoring of the buildings that were discharged for compliance within four months from being identified for the program.

HPD generally complied with the provisions relating to the building selection for participation in the AEP; notification to the building owners and tenants; and discharging for compliance only those buildings that met the criteria established by the local law. In addition, HPD complied with the provision to perform building-wide inspections of the buildings that were not discharged from

the program within four months. Finally, HPD prepared and submitted the required reports to the City Council documenting the results of the AEP program and performed a study evaluating the effectiveness of the AEP, as required.

However, HPD did not ensure that a building's compliance with all AEP criteria was documented for eight (20 percent) of the 40 sampled discharged buildings from Rounds 2 and 4. In addition, there is limited evidence that HPD adequately monitored all buildings that were discharged for compliance within four months from the owners' notification of their buildings' participation in the AEP. The audit found no evidence that some of the quarterly monitoring required by the local law was performed for a quarter of the 35 sampled buildings discharged for compliance within the first four months.

To address these issues, the audit recommended that HPD should:

- Ensure that building summary information is generated for each discharged building at the time of discharge and maintained to document the building's compliance with discharge requirements, including payment of the emergency repair charges.
- Ensure that all buildings discharged for compliance from the AEP within the first four months are referred to the appropriate unit to be monitored at a minimum of every three months for at least one year from their discharge date and that the required monitoring is sufficiently documented.

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

Audit Follow-up

HPD reported that both audit recommendations have been implemented.

DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT

Audit Report on the Oversight of the Housing Lottery by the Department of Housing Preservation and Development

Audit #MG12-057A

Comptroller's Audit Library #8201

Issued: July 19, 2012

Monetary Effect: None

Introduction

This audit determined whether the Department of Housing Preservation and Development (HPD) adequately monitors the housing lottery process.

HPD works with private, public, and community partners to strengthen neighborhoods and enable more New Yorkers to become homeowners or to rent well-maintained, affordable housing. To accomplish this goal, HPD enters into agreements with developers who are required to construct or rehabilitate residential buildings. In return for obtaining these properties at a fraction of the cost, the developers are required to sell or rent to the public a certain number of units within the dwelling complex at an affordable price. Because demand for the units exceeds supply, the lottery system was seen as the preeminent method for resolving issues of accessibility, transparency, and fairness in the selection of tenants or owners applying for affordable housing.

According to HPD's marketing report, a total of 21 projects were completed with application deadlines for Fiscal Year 2011. These 21 projects consisted of 686 available units, of which 681 units were designated as rentals and five units were designated for sale.

Results

The audit found that HPD needs to improve controls over its housing lottery process to ensure that only eligible applicants are selected for housing. Specifically, HPD has not implemented the recommendations made in a previous audit report pertaining to the creation of a system that allows for the automated filing and selection of applications so as to prevent certain applicants from receiving preferential treatment. In addition, HPD does not ensure that Project Managers (PMs) are properly monitoring the developers for assurance that applicants are provided housing based on eligibility. Furthermore, HPD does not ensure that its PMs consistently conduct required audits and site visits to verify that the applicant selection process is fair and equitable. Moreover, HPD's Marketing Unit has not established policies and procedures to ensure that its complaint resolution process pertaining to the housing lottery is fully documented and has no assurance that all such complaints are resolved.

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

- Continue with its quest for an automated process so as to allow applications for housing to be filed online as well as by mail.
- Assume the responsibility for selection of applications for the affordable units by developing an automated process for listing and randomly selecting applicants and incorporating appropriate segregation of duties and supervisory oversight into this process.
- Ensure that PMs adhere to its guidelines and conduct the required audits and site visits of the developers' selection procedures.
- Develop formal written operating procedures governing the handling of complaints.
- Ensure that all complaints and all fields in its spreadsheet are consistently updated with essential information to allow for tracking and following up of complaints.

HPD agreed to implement five of the seven recommendations cited in the report. While it appears that HPD intends to implement the other two recommendations, the agency did not directly address all aspects of those recommendations.

Audit Follow-up

HPD reported that six recommendations have either been implemented or are in the process of being implemented. The remaining recommendation for HPD to assume the responsibility for selection of applications for the affordable units by developing an automated random selection process is partially implemented. HPD said that it is the owner/developer who has the responsibility for screening applicants for eligibility under HPD oversight.

INDEPENDENT BUDGET OFFICE

Audit Report on the Independent Budget Office's Response to Information Requests

Audit #MJ12-117A

Comptroller's Audit Library #8227

Issued: January 18, 2013

Monetary Effect: None

Introduction

This audit determined the adequacy of the New York City Independent Budget Office's (IBO) efforts to respond to constituent requests for information.

IBO is a publicly-funded agency established to enhance the understanding of and to provide non-partisan information about the City's budget and other fiscal matters. IBO publishes three City Charter-mandated reports each year along with other reports and publications related to City revenues, expenditures, and financial management practices. IBO also responds to a wide range of questions and requests from external parties for information, research, and analysis on the City budget and related matters. IBO classifies these requests as either major requests or minor requests based on the amount of research and analysis required and staff resources involved. Major requests generally involve in-depth research and analysis requiring several weeks or even months to complete and may result in a published report. Minor requests are generally straightforward and involve little research and time to address.

Results

This audit concluded that IBO has adequate procedures in place to communicate management objectives and goals governing external information requests to its staff. Further, it has adequate controls and procedures in place that address the handling and processing of major requests that are undertaken on a project basis and require significant time and staff resources. However, because IBO does not maintain records of all of the information requests it receives, there was limited evidence available to test to obtain assurance that all information requests received from external parties are addressed and responded to promptly. IBO's lack of a mechanism to track information requests limits IBO management's ability to assess the overall effective and efficient use of its staff resources in responding to such requests.

To address these weaknesses, the audit recommended that IBO should: (1) implement a mechanism to comprehensively log all external requests for information and track them from initiation to completion, and (2) consider establishing a formal measurement to track and evaluate performance statistics relevant to external information requests to enhance accountability and assist management to better assess the effective and efficient use of its staff in addressing such requests.

Audit Follow-up

IBO reported that it disagrees with both audit recommendations because IBO does not believe it is necessary to track minor information requests.

DEPARTMENT OF INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS

Audit Report on the Administration of Wireless Devices and Services by the Department of Information Technology and Telecommunications

Audit #FN12-061A

Comptroller's Audit Library #8236

Issued: March 1, 2013

Monetary Effect: Potential Savings: \$4,637,700 (annually)

Introduction

This audit determined whether the Department of Information Technology and Telecommunications (DoITT) maintained adequate controls over wireless device and service administration.

DoITT is charged with administering wireless devices, services, and support to City agencies, Borough Presidents, and Community Boards. Three separate DoITT groups are tasked with managing wireless devices and services—the Enterprise Mobile Technologies (EMT) group, the Telecom Audit and Reporting (TAR) group, and the Cost Recovery Group (CRG). DoITT procures wireless devices, including cellular phones, BlackBerry-type devices, and air cards, and associated wireless services from Verizon, Sprint/Nextel, and AT&T. During Fiscal Year 2011, DoITT was responsible for administering approximately 31,113 wireless devices with associated service and device costs of \$14,705,742—\$14,004,187 for services and \$701,555 for devices. DoITT also administered Police Department wireless payments totaling \$3,461,656.

DoITT communicates its initiatives and policies to and works with designated Agency Wireless Coordinators to deploy and manage wireless devices and services. In order to obtain new, upgraded, or modified wireless devices and domestic services, Agency Wireless Coordinators must submit requests through the Remedy System. All requests must be accompanied by a properly completed M1 Form. The M1 Form records critical user data and equipment and service plan data which form the basis for Citywide inventories that DoITT maintains as a service for City agencies. Additionally, the M1 Form serves as the agency purchase order and certifies the justification, approval, and availability of funds to cover equipment and recurring monthly service costs. Similarly, Agency Wireless Coordinators must submit wireless international service activation requests through the Remedy System. All requests must be accompanied by a properly completed Request for Wireless International Roaming Form. This form records the requesting user's travel dates and documents the justification and authorization for services.

Each month, DoITT provides agencies detailed monthly usage reports for each of their wireless users. Agencies are responsible for verifying user data, usage, and charges.

The scope of this audit was Fiscal Year 2011.

Results

DoITT's responsibility for supporting wireless devices and services needs to be redefined. Specifically, DoITT assumed responsibility beyond its mandated requirements, but did not establish policies and procedures clearly delineating DoITT and agency responsibilities. The audit found that DoITT did not implement adequate internal controls to safeguard wireless devices and ensure accountability for wireless services. Specifically, based on the results of audit tests, DoITT and City agencies did not ensure that wireless device issuance was properly authorized, inventory was properly accounted for, and expenditures were appropriate. As a result, DoITT did not prevent or detect the unauthorized acquisition and use of wireless devices

and services; establish accountability for more than 30 percent of City-issued wireless devices and their associated service costs; and identify unutilized, underutilized, or redundant wireless devices and services. Consequently, for the three-month period April through June 2011, the City incurred unnecessary or questionable service costs totaling nearly \$1.2 million related to devices which were not linked to a City user, unutilized, and/or redundant.

To address these issues, the audit made 11 recommendations including that DoITT should:

- Institute written policies and procedures that specifically address DoITT’s assumed responsibilities for supporting wireless services, including procedures to be followed by DoITT and City agency personnel responsible for wireless administration processes.
- Employ computer system edits or review processed requests to ensure that EMT staff process only wireless requests that are accompanied by properly completed M1 Forms or Request for Wireless International Roaming Forms.
- Work with City agencies to maintain a single comprehensive inventory that records, at minimum: a user’s name and/or unique employee identification number and agency; wireless device unique identification number, type, and disposition; and service plan type and cost.
- Continue to periodically review agencies’ usage for three-month periods, identify user plans and features with no or only limited usage, and recommend to agencies cost-saving opportunities including but not limited to: canceling, downgrading, or sharing plans, and switching from monthly plans to pay-as-you-go plans.
- Work with City agencies to identify users who are assigned multiple wireless devices and cancel redundant services.
- Work with City agencies to identify users who are not employed in agency or City service and recommend to agencies that they cancel unauthorized services.

In its response, DoITT disavowed nearly all responsibility for wireless administration rather than recognize that it lacks adequate controls over critical wireless functions. DoITT categorically rejected the report’s findings and conclusions on the basis that DoITT only “...verifies the availability of agency funds before placing an order for wireless devices and service. Other than budgetary verification, DoITT does not have any other oversight responsibility with regard to City agencies’ wireless devices and service.” Based on this position, DoITT rejected nine of the 11 recommendations.

Audit Follow-up

As noted, DoITT rejected nine of the 11 report recommendations on the basis that it *only* “verifies the availability of agency funds before placing an order for wireless devices and service. Other than budgetary verification, DoITT does not have any other oversight responsibility with regard to City agencies’ wireless devices and service.” Additionally, DoITT deemed moot the recommendation to periodically review its international service request schedule because “[s]taff adherence to this procedure is strictly enforced.” With regard to the remaining recommendation, DoITT reported the changes it has made in trying to segregate duties for critical wireless administration functions.

MULTI-AGENCY

A Compilation of Audits of Three City Agencies' Efforts to Recoup Design Error and Omission Change Order Costs

Report #7E13-099S

Comptroller's Library #8241

Issued: April 8, 2013

Monetary Effect: Potential Savings: \$13.5 million

Introduction

The City Comptroller's Office conducted a series of three audits on the effort by City agencies to recoup the cost of change orders that were necessitated by design errors and design omissions by project designers and consultants. If a construction contractor executes work based on an erroneous design by a design consultant, the contractor may be asked to subsequently remedy the deficient work under a change order. In these cases, the City's Directive 47 and internal agency procedures require that an agency seek recoupment from the design consultant for any additional costs that individually exceed \$3,000 due to design errors or omissions. This requirement is intended to ensure that the City is not held liable for these costs. The audits, which covered the Department of Design and Construction, Department of Environmental protection, and Department of Parks and Recreation, focused on the effort by City entities to monitor construction management consultants to ensure that capital projects were completed in a timely manner and within budgeted amounts.

Results

The audits found that the three audited agencies did not adhere to procedures for recovering \$13.5 million in change orders that were necessitated by design consultant errors and omissions. Additionally, the audits found problems pertaining to reducing the frequency of design errors and omissions, ensuring that change order classification and amount information is accurately transcribed and recorded in agency computer systems, and establishing and complying with guidelines which require that change orders be categorized with a single classification.

The report makes seven recommendations City agencies should:

- Consult with the Mayor's Office of Contract Services to revise and update Directive 47's threshold amount by which individual change orders necessitated by consultant design errors and omission be referred to an agency's General Counsel for review and possible recoupment.
- Ensure that all appropriate change orders necessitated by consultant design errors and omissions be referred to an agency's General Counsel for review and possible recoupment.
- Implement and strengthen internal policies and procedures that govern the process of referring change orders to the General Counsel.
- Review all applicable change orders identified in these audit reports that were classified as design errors and omissions and immediately transmit these items to the agency's General Counsel.
- Take steps to reduce the frequency of design errors and omissions.

- Implement procedures to ensure that change order classification and amount information is accurately transcribed and recorded in agency computer systems.
- Establish and comply with guidelines which require that change orders be categorized with a single classification.

Report Follow-Up

Not applicable

MULTI-AGENCY

A Compilation of Audits of the City's Oversight of Construction Management Consultants

Report #7E13-103S

Comptroller's Library #8238

Issued: March 12, 2013

Monetary Effect: Potential Savings: \$33.68 million⁶

Introduction

The City Comptroller's Office conducted a series of four audits on the oversight of construction management consultants by City entities. Failure to adequately plan and manage capital construction work greatly reduces the likelihood of completing a project on time and within budget. The audits, which covered the Economic Development Corporation, the New York City Housing Authority, the Department of Parks and Recreation, and the Department of Sanitation, focused on the effort by City entities to monitor construction management consultants to ensure that capital projects were completed in a timely manner and within budgeted amounts.

Results

The four audits found that many projects that were managed by construction management consultants exceeded their budgeted amounts and schedules. City oversight of consultants was hampered by inefficient procedures or a lack of written procedures for dealing with consultants or by assigning inappropriate numbers of in-house staff to oversee consultants. Deficiencies in managing projects were also attributable to problems with ensuring that designs and work scopes were adequate and met an agency's needs, failure to obtain required regulatory approvals, and failure to examine site locations for environmental hazards before starting construction.

Construction management consultants are usually compensated on a time and material basis. Therefore, projects whose construction and close-out are delayed and extended incur additional costs for construction management services that would otherwise be unnecessary if projects were completed in a timely manner. Deficiencies and problems with overseeing the work of construction management consultants and failing to complete projects on time resulted in the expenditure of \$22.13 million in additional staffing costs to consultants. Furthermore, deficient

⁶ Consisting of \$22.13 million in additional construction management consultant costs, \$3.3 million in inappropriate and questionable payments, and \$8.25 million in monetary penalties for failure to complete certain projects on time.

oversight led to \$3.3 million in inappropriate and questionable payments to a consultant and \$8.25 million in monetary penalties for failure to complete certain projects on time.

This report makes 19 recommendations, including that City entities should:

- Ensure that capital projects are completed and closed out within their originally scheduled timeframes and original contract and contingency amounts.
- Take appropriate steps to identify and mitigate problems that cause project delays and cost overruns and develop specific plans to do so.
- Ensure that progress schedules are submitted, approved, and regularly updated.
- Promulgate uniform standards for assigning in-house personnel to oversee construction management consultants.
- Compile standard written procedures for overseeing projects that are managed by construction management consultants.
- Seek recoupment for payments made to construction managers if any project and close-out delays are attributable to construction management consultants.
- Establish a management system to monitor the work of construction management consultants.
- Develop procedures to identify and remediate environmental hazards before commencing project work.
- Require that construction management consultants produce evidence to substantiate the reasonableness of work hours expended by their personnel.

Report Follow-Up

Not applicable

MULTI-AGENCY

Letter Report on New York City's Administrative Oversight Entities' Monitoring of Employees Who Drive City-Owned or Personally-Owned Vehicles on City Business

Audit #7R13-062AL

Comptroller's Audit Library #8208

Issued: September 20, 2012

Monetary Effect: None

Introduction

This audit determined if the Administrative Oversight Entities (Civil Service Commission and Conflicts of Interest Board) are effectively monitoring their employees who drive City-owned or personally-owned vehicles on City business.

New York City requires that only those employees who exercise reasonable care in operating City- or personally-owned vehicles be allowed to use them to conduct City business. This requirement is outlined in the City of New York's "City Vehicle Driver Handbook" (Regulations).

All agency heads through the Agency Transportation Coordinator (ATC) must ensure that all employees assigned a City-owned vehicle either for full-time use or temporary use are authorized to drive. It is also the ATC's responsibility to ensure that these drivers have valid licenses and insurance (if they are driving their personal vehicles). The driver's license should be a New York State License unless the employee is exempt from City residency requirements. If this is the case, then the authorized driver must have a valid license from the state where he/she resides and must have the appropriate classification for the vehicle which he/she is driving on City business. The Regulations further specify that City agencies must establish programs that promote safety along with proper training in the use of motor vehicles.

In following these criteria, City agencies use the New York State Department of Motor Vehicles' (DMV) License Event Notification System (LENS). The ATC is responsible for notifying DMV of all agency-authorized drivers. This enables the DMV's LENS program to notify the ATC of any event that affects the driver's license. This includes: if a license is expiring; points accrued; accidents; driving while impaired; or driving while under the influence. This enables the ATC to ensure that only employees with valid licenses are driving on City business. The City's policy recommends that agencies participate in LENS to monitor the driving behavior of their employees.

Results

The audit found that these Administrative Oversight Entities do not require their employees to use a City-owned or personally-owned vehicle to conduct City business and, as of June 30, 2012, did not own or have a contractor-leased vehicle. In addition, these Entities did not own or have any vehicles registered to their agency or use a leased or contractor-provided vehicle as of June 30, 2012. The Administrative Oversight Entities are aware of the City's Regulations concerning the effective monitoring of the driving behavior of authorized drivers. They are also aware of how to subscribe to the DMV's LENS program and how to receive updates and revoke the privileges of those drivers who have a suspended or revoked license in a timely manner as prescribed by regulations. Additionally, they are also familiar with the regulations to ensure that employees who drive their personal vehicles for City business have the proper insurance. They are also aware of the regulation to provide their employees with the required safety awareness program.

In their responses, both the Administrative Oversight Entities agencies agreed with the report.

MULTI-AGENCY

Letter Report on the 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

Audit #7R13-069AL

Comptroller's Audit Library #8206

Issued: September 18, 2012

Monetary Effect: None

Introduction

This audit determined if the Legal Affairs agencies (Business Integrity Commission, Civilian Complaint Review Board, Commission on Human Rights, Law Department, and Office of Administrative Trials and Hearings) are effectively monitoring their employees who use an E-ZPass and parking permits while driving City-owned or personally-owned vehicles on City business in accordance with applicable rules and regulations.

New York City requires that only those employees who exercise reasonable care in operating City- or personally-owned vehicles be allowed to use them to conduct City business. This requirement is outlined in the City of New York's "City Vehicle Driver Handbook" (Regulations). All agency heads through the Agency Transportation Coordinator (ATC) must ensure that all employees assigned a City-owned vehicle either for full-time use or temporary use are authorized to drive.

In addition, E-ZPasses should be issued only to authorized drivers, thus allowing said Agency personnel to perform their responsibility in an effective manner. E-ZPasses are issued by the Metropolitan Transportation Authority/Bridges and Tunnels (MTA). All E-ZPass usage must be reported to the ATC. Drivers are allowed to use a City-sponsored E-ZPass only when conducting official City business and in connection with the approved use of a City government vehicle. Subsequently, the driver must fill out a vehicle trip log detailing what the vehicle was used for and why it needed to be used so that accurate agency vehicle trip log books can be maintained. The MTA sends detailed summary reports on travel to the designated agency E-ZPass representative for review.

Drivers must be aware of their agency's in-house procedures regarding the use of parking permits, including areas where City government vehicles are permitted to park. Parking permits must be properly displayed to ensure visibility through the windshield. Permits may only be used for official City business in connection with the assigned City government vehicle and only as described by the parking permit and any other accompanying instructions.

Results

The audit found that all five Legal Affairs agencies monitor their authorized drivers' use of E-ZPasses and permits in accordance with applicable rules and regulations. However, the audit found a minor weakness in the completion of the driver vehicle trip logs; of the 5005 E-ZPass transactions, auditors found that 58 transactions (1 percent) which had been included in the E-ZPass statements were not recorded in the driver vehicle trip logs. The audit confirmed that these transactions, which primarily affected the Business Integrity Commission, had been appropriately authorized and approved by management. This 1 percent omission did not affect the audit's conclusion that all five agencies effectively monitored E-ZPass usage. This report is bringing this matter to the attention of all the Legal Affairs agencies so that they can ensure all

transactions are recorded in the driver vehicle trip log and are properly authorized. In their response, the five Legal Affairs agencies' officials agreed with the report's conclusions.

MULTI-AGENCY

Letter Report on the Public Safety ("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

Audit #7R13-090AL

Comptroller's Audit Library #8223

Issued: January 7, 2013

Monetary Effect: None

Introduction

This audit determined if the Public Safety "Non-Uniformed Services" agencies (Department of Investigation [DOI], Department of Probation [Probation], and Office of Emergency Management [OEM]) effectively monitored their employees who use an E-ZPass and parking permits while driving City-owned or personally-owned vehicles on City business.

New York City requires that only those employees who exercise reasonable care in operating City- or personally-owned vehicles be allowed to use them to conduct City business. This requirement is outlined in the City of New York's "City Vehicle Driver Handbook" (Regulations). All agency heads through the Agency Transportation Coordinator (ATC) must ensure that all employees assigned a City-owned vehicle either for full-time use or temporary use are authorized to drive. It is also the ATC's responsibility to ensure that these drivers have valid licenses and insurance (if they are driving their personal vehicles). The driver's license should be a New York State License unless the employee is exempt from City residency requirements. If this is the case, then the authorized driver must have a valid license from the state where he/she resides and must have the appropriate classification for the vehicle which he/she is driving on City business. The Regulations further specify that City agencies must establish programs that promote safety along with proper training in the use of motor vehicles.

E-ZPasses should be issued only to authorized drivers, thus allowing said Agency personnel to perform their responsibility in an effective manner. E-ZPasses are issued by the Metropolitan Transportation Authority/Bridges and Tunnels (MTA). All E-ZPass usage must be reported to the ATC. Drivers are allowed to use a City-sponsored E-ZPass only when conducting official City business and in connection with the approved use of a City government vehicle. Subsequently, the driver must fill out a vehicle trip log detailing what the vehicle was used for and why it needed to be used so that accurate agency vehicle trip log books can be maintained. The MTA sends detailed summary reports on travel to the designated agency E-ZPass representative for review.

Drivers must be aware of their agency's in-house procedures regarding the use of parking permits, including areas where City government vehicles are permitted to park. Parking permits must be properly displayed to ensure visibility through the windshield. Permits may only be used for official City business in connection with the assigned City government vehicle and only as described by the parking permit and any other accompanying instructions.

Results

The audit found that the three Public Safety “Non-Uniformed Services” agencies monitor the use of E-ZPasses and permits by their authorized drivers in accordance with applicable rules and regulations. However, the audit found that a major administrative (recordkeeping) weakness in the completion of the driver vehicle trip logs has occurred at OEM and Probation. Auditors found that 7240 transactions (86 percent) of the 8406 E-ZPass transactions processed by OEM and Probation were not recorded in the driver vehicle trip logs. City Vehicle Driver Handbook, issued February 2009, states, “[Driver’s] must keep a log of E-Z Pass use and submit it to the agency representative responsible for monitoring use. When an E-Z pass is used, the driver must fill out a trip ticket detailing what it was used for and why it was needed to be used so that accurate log books are maintained.” The E-ZPass is used in conjunction with the approved use of a City vehicle.

The audit confirmed that these transactions, which affected Probation (which only had driver vehicle trip logs for the Staten Island office) and OEM (which did not have any driver vehicle trip logs), had been appropriately authorized and approved by management, although they were not recorded as required in the regulations. The 86 percent error rate is high, although it is an administrative (recordkeeping) error. The agencies had other records to indicate that they effectively monitored E-ZPass usage. The report is bringing this matter to the attention of all the Public Safety “Non-Uniformed Services” agencies so that they can ensure all transactions are recorded in the driver vehicle trip log and are properly authorized. Inadequate recordkeeping could lead to E-ZPasses being used fraudulently. Auditors brought this to the attention of both Probation and OEM during the course of the audit. Both agencies have implemented the use of the driver vehicle logs as required.

This issue did not relate to DOI because it had recorded all of its transactions in the driver vehicle trips logs as required.

In their written responses, all Public Safety “Non-Uniformed Services” agencies agreed with the report.

MULTI-AGENCY

Letter Report on the Public Administrators' Monitoring of Their Employees Who Drive City-Owned or Personally-Owned Vehicles on City Business

Audit #7R13-111AL

Comptroller's Audit Library #8264

Issued: June 10, 2013

Monetary Effect: None

Introduction

This audit determined if the Public Administrators are effectively monitoring their employees who drive City-owned or personally-owned vehicles on City business

New York City requires that only those employees who exercise reasonable care in operating City- or personally-owned vehicles be allowed to use them to conduct City business. This requirement is outlined in the City of New York's "City Vehicle Driver Handbook" (Regulations). All agency heads through the Agency Transportation Coordinator (ATC) must ensure that all employees assigned a City-owned vehicle either for full-time use or temporary use are authorized to drive. It is also the ATC's responsibility to ensure that these drivers have valid licenses and insurance (if they are driving their personal vehicles). The driver's license should be a New York State License unless the employee is exempt from City residency requirements. If this is the case, then the authorized driver must have a valid license from the state where he/she resides and must have the appropriate classification for the vehicle which he/she is driving on City business. The Regulations further specify that City agencies must establish programs that promote safety along with proper training in the use of motor vehicles.

In following these criteria, City agencies use the New York State Department of Motor Vehicles (DMV) License Event Notification System (LENS). The ATC is responsible for notifying DMV of all agency-authorized drivers. This enables the DMV's LENS program to notify the ATC of any event that affects the driver's license. This includes: if a license is expiring; points accrued; accidents; driving while impaired; or driving while under the influence. This enables the ATC to ensure that only employees with valid licenses are driving on City business. The City's policy recommends that agencies participate in LENS to monitor the driving behavior of their employees.

Results

Auditors found that prior to the start of the audit, the Public Administrators were not aware of the City's Regulations regarding the monitoring of their employees' driving behavior or the requirements promoting driver safety. Auditors advised them of these requirements prior to the start of audit fieldwork. The Public Administrators then implemented procedures to become compliant with the City's Regulations. Each Public Administrator has appointed an ATC, enrolled its employees in the DMV's LENS program, and learned how to receive updates and revoke the privileges of those drivers who have a suspended or revoked license in a timely manner as prescribed by the regulations. Additionally, Public Administrators are also now familiar with the regulations to ensure that employees who drive their personal vehicles on City business have the proper insurance. They are also aware of the regulation to provide their employees with the required safety awareness program and are implementing these programs.

In their written responses, the Public Administrators agreed with the report.

MULTI-AGENCY

Letter Report on the Public Safety (“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

Audit #7R13-115AL

Comptroller’s Audit Library #8263

Issued: June 10, 2013

Monetary Effect: None

Introduction

This audit determined if the Public Safety “Uniformed Services” agencies are effectively monitoring their employees who use an E-ZPass and parking permits while driving City-owned or personally-owned vehicles on City business in accordance with applicable rules and regulations.

This audit addressed the Fire Department (FDNY) and the Police Department (NYPD); the Department of Correction (DOC) was discussed in a separate audit.

New York City requires that only those employees who exercise reasonable care in operating City- or personally-owned vehicles be allowed to use them to conduct City business. This requirement is outlined in the City of New York’s “City Vehicle Driver Handbook” (Regulations). All agency heads through the Agency Transportation Coordinator (ATC) must ensure that all employees assigned a City-owned vehicle either for full-time use or temporary use are authorized to drive. It is also the ATC’s responsibility to ensure that these drivers have valid licenses and insurance (if they are driving their personal vehicles). The driver’s license should be a New York State License unless the employee is exempt from City residency requirements. If this is the case, then the authorized driver must have a valid license from the state where he/she resides and must have the appropriate classification for the vehicle which he/she is driving on City business. The Regulations further specify that City agencies must establish programs that promote safety along with proper training in the use of motor vehicles.

E-ZPasses should be issued only to authorized drivers, thus allowing said Agency personnel to perform their responsibility in an effective manner. E-ZPasses are issued by the Metropolitan Transportation Authority/Bridges and Tunnels (MTA). All E-ZPass usage must be reported to the ATC. Drivers are allowed to use a City-sponsored E-ZPass only when conducting official City business and in connection with the approved use of a City government vehicle. Subsequently, the driver must fill out a vehicle trip log detailing what the vehicle was used for and why it needed to be used so that accurate agency vehicle trip log books can be maintained. The MTA sends detailed summary reports on travel to the designated agency E-ZPass representative for review.

Drivers must be aware of their agency’s in-house procedures regarding the use of parking permits, including areas where City government vehicles are permitted to park. Parking permits must be properly displayed to ensure visibility through the windshield. Permits may only be used for official City business in connection with the assigned City government vehicle and only as described by the parking permit and any other accompanying instructions.

Results

Auditors found that both Public Safety “Uniformed Services” agencies discussed in this audit report, FDNY and NYPD, monitored the use of E-ZPasses and permits by their authorized

drivers in accordance with applicable rules and regulations. In addition, the audit specifically noted that NYPD controls were in place to adequately monitor the more than one million E-ZPass transactions.

The report does not include a review of the FDNY and NYPD's controls regarding driving behavior, which was addressed in a prior report (Letter Report on the Public Safety Agencies' Monitoring of Their Employees Who Drive City-Owned or Personally-Owned Vehicles on City Business, Audit # 7R12-091A issued June 25, 2012).

In their written responses, FDNY and NYPD agreed with the report.

MULTI-AGENCY

Audit Report on the Department of Environmental Protection's Billing of Water and Sewer Usage for Properties Sold by the Economic Development Corporation

Audit # FM12-109A

Comptroller's Audit Library #8254

Issued: May 15, 2013

Monetary Effect: Actual Revenue: \$38,167

Introduction

The New York City Economic Development Corporation (EDC) was formed in 1991. One of its primary objectives is to retain and create jobs and generate revenue for the City by facilitating the sale and lease of City-owned property. The New York City Department of Environmental Protection (DEP) is responsible for reading water meters and charging fees related to water and sewer usage from property owners in New York City.

Generally, DEP is alerted to a change in ownership of a property through a Customer Registration Form. Also, when EDC sells a property, EDC drafts a letter, signed by the Law Department, notifying DEP of the sale. Properties containing water meters that are classified (coded) in DEP's Customer Information System (CIS) as City-owned are exempt from water charges, sewage charges, or both.

The objectives of this audit were to determine whether EDC is notifying DEP whenever properties are sold and whether DEP is updating CIS to properly bill the owner of the newly sold property for water and sewer usage.

Results

The audit found that EDC properly notifies DEP when property is sold and, in response, DEP generally updates its billing system. For two of 39 properties reviewed, DEP did not update its billing system. As a result, the collection of \$18,248 was delayed. In addition, one of the 39 metered properties sold by EDC had an outstanding balance totaling \$19,919. At the exit conference held on April 17, 2013, EDC officials stated that the bill was paid on April 15, 2013—nearly 28 months after the sale.

The audit report made three recommendations:

- DEP should ensure that CIS is promptly updated upon notification of a sale from EDC.

- EDC should ensure that water and sewer charges of properties it manages are satisfied before they are sold, and if those charges are not satisfied, EDC should make sure that the water and sewer charges are satisfied from tenant security deposits.
- Should EDC receive a water and sewer bill for property it has sold, it should immediately notify DEP to adjust CIS.

DEP and EDC did not dispute the audit's findings. DEP officials agreed with its applicable recommendation. EDC officials agreed with one recommendation and partially agreed with the other.

Audit Follow-up

DEP reported that it has a dedicated unit that receives and processes notifications of sale of property from EDC and other City entities.

EDC reported that it has implemented the recommendation to immediately notify DEP when EDC receives a water and sewer bill for property it has sold. The remaining recommendation has been partially implemented.

REVIEWS OF MANAGERIAL LUMP-SUM PAYMENTS

Monetary Effect: Actual Savings: \$606,257.85

Financial Audit reviews lump-sum payments to employees covered by the Management Pay Plan upon their final separation from City employment.

The employees covered by this plan receive a lump-sum payment for both vested and current accrued annual leave, sick leave, and compensatory leave. The payment is calculated in accordance with Personnel Orders 16/74, 78/3, 24/77, 78/9, 88/5, and 99/6. Employees who were in the Managerial or Executive Pay Plan on December 31, 1977, were given vested rights for their previously accrued annual leave, sick leave, and compensatory leave. After January 1, 1978, the plan became the Management Pay Plan.

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

For Fiscal Year 2013, those reviews of the managerial lump-sum requests submitted by City agencies resulted in a savings to the City of New York of \$606,257.85:

Total number of claims in Fiscal Year 2013	526
Total amount of agency-prepared lump-sum claims	\$ 12,047,010.19
Total amount of lump-sum claims approved for payment	\$ 11,440,752.24
Claims correctly prepared by the agency	306
Claims reduced during audit	177
Claims increased during audit	43
Claims denied	0
Total dollar value of agency overpayments, before audit	\$ 610,436.50
Total dollar value of agency underpayments, before audit	\$ 4,178.65
Net Savings resulting from audit	\$ 606,257.85

REVIEWS OF HIGH RISK WELFARE FUND PAYMENT VOUCHERS

Monetary Effect: Actual Savings: \$ 36,193*
 Potential Savings: \$ 19,574

Comptroller’s Directive #8 (*Special Audit Procedures for High Risk Payment Voucher*) sets forth uniform procedures City agencies must follow when processing payment of high risk vouchers. The Bureau of Audit conducts a post review to determine if these payments were accurate.

The Bureau of Audit reviews a sample of payments made by City agencies to various unions covering welfare and annuity benefits for active and retired employees to ensure that the payments are in compliance with provisions contained in more than 600 agreements, and conform to the terms and conditions of Office of Labor Relations (OLR) stipulations, Personnel Orders, and Office of Collective Bargaining decisions. Letter reports are only issued to agencies when monetary errors are found during the review.

During Fiscal Year 2013, three letter reports were issued to agencies: one each to the Department of Education, Police Department, and City University of New York (CUNY).

	<u>Number of vouchers</u>	<u>Amount</u>
Total Number of vouchers reviewed:	717	\$123,294,726
Vouchers – no errors:	709	\$122,973,783
Vouchers – with errors:	8	\$ 320,944
Overpayments:		\$ 20,784
Underpayments:		\$ 133

*Collections during Fiscal Year 2013 totaled \$36,193. Part of the collection amount, \$34,983, is from overpayments identified in previous years. Agencies recouped this amount by check.

DEPARTMENT OF PARKS AND RECREATION

Audit Report on the Department of Parks and Recreation's Oversight of Capital Projects

Audit #7E12-067A

Comptroller's Audit Library #8225

Issued: January 11, 2013

Monetary Effect: Potential Savings: \$12,689,530

Introduction

The audit determined whether the Department of Parks and Recreation (DPR) is carrying out and overseeing capital construction projects in a timely and cost effective manner. DPR's Capital Division implements and executes projects that are contained in DPR's capital plan and that are funded from various sources and approved by the New York City Office of Management and Budget. The Capital Division uses a DOS database application known as "Q&A" to track project information such as contract information, project schedules, and change orders. According to information contained in the Fiscal Year 2011 "Mayor's Management Report," DPR completed 150 capital projects in Fiscal Year 2010 and 165 capital projects in Fiscal Year 2011. The construction cost (exclusive of costs for design, construction management, and resident engineering services) of the 315 capital projects totaled \$496.3 million.

Results

DPR is not carrying out and overseeing capital construction projects in a timely and cost effective manner. The audit found that in Fiscal Years 2010 and 2011, 47 percent of projects were not completed within their originally scheduled timeframes. Furthermore, the cost for 10 percent of projects exceeded their original contract and contingency amounts. Moreover, 8 percent of the completed projects in Fiscal Years 2010 and 2011 were not completed on time and exceeded the original contract and contingency amounts. Additionally, DPR did not follow procedures to seek to recoup from consultants the cost of change orders that were necessitated by design errors or design omissions.

As a result, DPR expended almost \$13 million in project costs—\$2.2 million in additional staffing costs for construction management and almost \$11 million in additional construction costs, which included \$4 million in change orders that were necessitated by design errors or design omissions. Moreover, the City paid \$887,717 to construction contractors for claims that pertained to some of the delayed projects.

Moreover, DPR does not have a reliable process to ensure that specific projects are selected and targeted for completion on an annual basis. Although DPR selects as a goal a number of projects to be completed in a given fiscal year, it does not identify those projects or categorize specific projects as priorities. Therefore, projects that were already delayed and are not selected to be completed in a following fiscal year can continue to be delayed for an indeterminate period. Accordingly, it is the auditors' opinion that problems with completing capital construction projects in a timely and cost effective manner can be partly attributed to DPR's failure to prioritize project work and allocate appropriate resources to those projects.

The audit also identified problems with some of the information about project status recorded in the Q&A system and the manner in which statistics about project information are provided for the Mayor's Management Report (MMR).

This report makes a total of 13 recommendations, including that DPR:

- Ensure that capital projects are completed within their originally scheduled timeframes and contract and contingency amounts.
- Take appropriate steps to identify and mitigate problems that cause project delays and cost overruns and develop specific plans to do so.
- Ensure that project cost estimates are reliable. Use the estimates as a gauge to maintain control over project costs.
- Ensure that progress schedules are submitted, approved, and regularly updated.
- Establish formal written procedures for identifying projects and determining a target number of capital projects for completion.
- Track the progress of projects that have been slated for completion in a given time period. Develop indicators to track the status of incomplete projects.
- Ensure that all appropriate change orders necessitated by consultant design errors and omissions be referred to the Capital Division's Legal Counsel for review and possible recoupment.
- Correct reporting deficiencies and provide accurate and reliable data for reporting in the MMR about the actual percentages of projects completed on time or early.

In its response, DPR officials stated, “. . . We recognize and agree with the Report's Recommendations that certain improvements are needed with respect to mitigating the causes of project delays or revising MMR indicators on project completions.” In addition, the response said, “Unfortunately, the Report does not recognize where Parks' oversight has largely achieved positive results.” The audit considers DPR to have agreed with five recommendations, disagreed with three recommendations, partially agreed with one recommendation, and already implemented four recommendations.

Audit Follow-up

DPR reported that five recommendations are implemented and three recommendations are ongoing. DPR reported that five other recommendations are “not applicable” (i.e., ensure that projects are completed within original contract and contingency amounts; ensure that cost estimates are reliable; establish procedures for identifying projects; develop indicators to track the status of incomplete projects; and develop policies that govern the referral of change orders to legal counsel).

DEPARTMENT OF PARKS AND RECREATION

Audit Report on the Implementation of Croton Water Filtration Plant Park Projects by the Department of Parks and Recreation

Audit #7E12-140A

Comptroller's Audit Library #8269

Issued: June 25, 2013

Monetary Effect: Potential Savings: \$18,226,558⁷

Introduction

The audit determined whether the Department of Parks and Recreation (DPR) carried out within schedule and budgeted amounts the capital improvements projects that were stipulated in an agreement to construct the Croton Water Filtration Plant in the Bronx. On September 28, 2004, the City Council approved a Memorandum of Understanding (MOU) between New York City and New York State that allowed the City to move forward with the construction of a water filtration plant at the Mosholu Golf Course in Van Cortlandt Park. Under the MOU, the City's Department of Environmental Protection (DEP) was to provide to DPR funds from water and sewer revenues of the New York City Municipal Water Finance Authority. A Memorandum of Agreement (MOA) between DEP and DPR was subsequently executed on September 6, 2005, that consolidated the required measures set forth in the MOU. According to the MOA, DEP would provide to DPR \$186.05 million in funding to undertake 67 projects.

Results

DPR is not always carrying out and overseeing required capital improvements related to the Croton Water Filtration Plant on time and within budgeted amounts. The audit found that by April 30, 2013, although DPR had started work on 65 of the MOA's 67 capital improvement projects, only 46 projects totaling \$107.4 million were completed. Moreover, 37 of the 46 completed projects were finished beyond DPR's scheduled completion dates.

DPR contended that it increased the number of eligible projects from 67 to 81 by carrying out some of them under multiple contracts or phases. The audit found that 18 of the 26 projects were eligible. However, eight projects, for which DPR expended over \$10 million in funding, could not be substantiated as eligible. In addition, there was no evidence that DPR had obtained approvals for the eight projects. Moreover, even if DPR did obtain the required approvals, it would have expended only \$146.6 million as of April 30, 2013, thereby falling short of expending the \$186.05 million in funding that was stipulated in the MOA by at least \$39.45 million.

Additionally, of the sampled completed projects, the audit found that 83 percent of projects were not completed within DPR's scheduled timeframes. In addition, 21 percent of projects were not completed within their original contract and contingency amounts. As a result, DPR expended \$7.4 million in additional project costs—\$560,791 in additional staffing costs for construction management and \$6.8 million in additional construction costs.

Finally, only 29 eligible projects totaling \$48.6 million were completed by December 31, 2009. This is approximately the date specified in the original MOU by which the citizens of the Bronx were to have benefitted from over \$200 million of improvements to their parks.

This report makes a total of seven recommendations, including that DPR should ensure that:

⁷ This consists of \$10,789,553 expended on ineligible projects and \$7,437,005 for additional project costs.

- All eligible projects are carried out expeditiously with the funding provided for in the MOA.
- Eligible projects are modified in accordance with the terms of the MOA.
- Eligible projects are completed within their originally scheduled timeframes and original contract and contingency amounts.
- It implements adequate measures to control delays that are specifically in its control.
- Critical documents are submitted and maintained in project files.

In their response, DPR officials focused on issues outside the scope of our audit rather than directly address the audit issues and accompanying recommendations. Except for one recommendation, they generally did not clearly state whether they agreed or disagreed with our recommendations.

In its response, DPR wrote, “The Report also states that Parks has expended up to \$146.6 million of the \$186 million in MOA funding. However, this summary does not provide a full accounting of the Department’s Croton program costs because it excludes improvements that have not yet been billed to the Department and it excludes the costs that will be incurred to complete additional MOA projects.” Additionally, “The Report also states that auditors initially believed that 26 contracts, not eight, were ineligible due to ‘the Department’s lack of controls.’ In fact, the cause of this confusion was due to a lack of communication, and not a lack of controls.”

DPR also wrote, “The auditors appear to have made certain assumptions about the status of these projects. Once we discussed this matter at the exit conference, the auditors reassessed many of their initial determinations regarding the eligibility of these contracts, and the Report now cites eight contracts for improvements as ‘ineligible’ for inclusion under the MOA. However, Parks carefully examined these projects and must strongly disagree with this mischaracterization, as all such projects are included in the MOA’s scope were developed in consultation with the community and are valuable popular park amenities.”

Finally, DPR wrote, “While the Report may attempt to raise questions with respect to whether the public derived compensation from the Croton program, it is obvious that a great deal of public good has come out of this program. However, the Report suggests that ‘the City may have reduced regular capital funding for Bronx parks’ due to Croton funding. The Report makes this misleading suggestion without presenting the Agency with any written documentation or analysis.”

Audit Follow-up

DPR reported that two recommendations were implemented, three recommendations are ongoing, and one recommendation is pending. Regarding the recommendation to modify eligible projects in accordance with the MOA, DPR stated that the Croton projects were in accordance with MOA guidelines.

DEPARTMENT OF PARKS AND RECREATION

Audit Report on the Maintenance and Repairs of the City's Playgrounds by the Department of Parks and Recreation – Manhattan Borough Office

Audit #7R12-120A

Comptroller's Audit Library #8243

Issued: April 11, 2013

Monetary Effect: None

Introduction

This audit determined the timeliness of maintenance and repairs of the City's public playgrounds by the Department of Parks and Recreation's (DPR) Manhattan Borough Office.

DPR maintains a municipal parks system of more than 29,000 acres throughout the City, including more than 1,700 parks, 2,500 Greenstreet sites, and over 1,000 playgrounds. One of DPR's principal missions is to manage and care for all playgrounds and playground fixtures in the City.

To provide local parks services, a Borough Commissioner is appointed for each of the City's five boroughs. Each Borough Commissioner oversees the management and operations of agency programs and is responsible for the administrative management of parks and green spaces within the borough, including the maintenance and repair of City parks and playgrounds. A Chief of Operations in each borough oversees the daily operations of all Parks facilities within the borough and ensures that playgrounds are properly maintained.

Results

The Manhattan Borough Commissioner's office routinely cleans and maintains borough playgrounds. It completed approximately 80 percent of its work orders issued during the audit's scope period. However, the Manhattan Borough office does not complete remedial work in a timely manner. Specifically, 68 percent of the work orders issued and completed were completed within 30 days. The remaining 32 percent of work orders were completed beyond 30 days. In fact, some repairs took as long as 420 days to complete. In addition, of 392 Immediate Attention (IA) conditions reported to the Borough Office, 36 (9 percent) had not been resolved within the required 30-day period. In fact, some took as long as 296 days to resolve. Furthermore, the audit found that Manhattan Borough district offices lack guidelines that specify the timeframes for the repair of non-IA conditions.

Based on the work order descriptions provided by DPR, the audit found that 65 work orders may have been classified as requiring IAs if the conditions had been identified by Parks Inspection Program (PIP) inspectors. These items were not completed in a timely manner. Additionally, the district offices are not effectively monitoring the status of open work orders and the information in Asset Management Property System (AMPS) is often not correct.

The timeliness of DPR's resolution of IA repairs will be affected in the near term by the impact of Hurricane Sandy, resulting in the increased importance of prioritizing those items that represent IAs or hazardous conditions.

To address these issues, the audit makes nine recommendations, DPR should:

- Implement standards to ensure that supervisory inspections adhere to PIP standards for remediating IA conditions.
- Remediate all work orders with hazardous conditions within 30 days.

- Ensure that IAs are resolved within 30 days.
- Categorize work order repair types and assign specific timeframes for remediating repairs in each category.
- Categorize conditions identified by District Supervisors using the same criteria used by the PIP inspectors.
- Monitor open work orders that are identified as hazardous and resolve them promptly.
- Regularly monitor the status of open work orders and update them in AMPS.
- Follow up on work requests to ensure they have been processed.
- Create work orders before the repairs are completed.

DPR officials contended that the work orders were prioritized and completed in a timely manner and disagreed with “several findings in the reports regarding how Parks manages its maintenance program and its work orders.” However, DPR officials agreed that the reports “raised some important issues regarding the maintenance and repair of the City’s playgrounds which we appreciate” and “...We agree that a formal review process for all open work orders would ensure that all requests are managed appropriately.”

The agency also said, “In addition, upon careful review of Parks operations and the recommendations in the report, we believe that current and action underway already address the issues raised.”

Audit Follow-up

DPR reported that five recommendations are being implemented, two recommendations are partially implemented, and the remaining two recommendations are not implemented.

DEPARTMENT OF PARKS AND RECREATION

Audit Report on the Maintenance and Repairs of the City’s Playgrounds by the Department of Parks and Recreation – Queens Borough Office

Audit #7R12-142A

Comptroller’s Audit Library #8244

Issued: April 11, 2013

Monetary Effect: None

Introduction

This audit determined the timeliness of maintenance and repairs of the City’s public playgrounds by the Department of Parks and Recreation’s (DPR) Queens Borough Office.

DPR maintains a municipal parks system of more than 29,000 acres throughout the City, including more than 1,700 parks, 2,500 Greenstreet sites, and over 1,000 playgrounds. One of DPR’s principal missions is to manage and care for all playgrounds and playground fixtures in the City.

To provide local parks services, a Borough Commissioner is appointed for each of the City’s five boroughs. Each Borough Commissioner oversees the management and operations of agency

programs and is responsible for the administrative management of parks and green spaces within the borough, including the maintenance and repair of City parks and playgrounds. A Chief of Operations in each borough oversees the daily operations of all DPR facilities within the borough and ensures that playgrounds are properly maintained.

Results

The Queens Borough Commissioner's office routinely cleans and maintains borough playgrounds. It completed 87 percent of its work orders issued during the audit's scope period. However, the Queens Borough office does not complete remedial work in a timely manner. Specifically, 64 percent of the work orders issued and completed were completed within 30 days. The remaining 36 percent of work orders were completed beyond 30 days. Furthermore, of the 527 Immediate Attention (IA) conditions reported to the Borough Office, 58 IAs (11 percent) were not resolved within the required 30 days. In fact, some took from 72 days to 152 days to resolve. The audit also found that Queens Borough district offices lack guidelines that specify the timeframes for the repair of non-IA conditions.

Based on work order descriptions provided by DPR, the audit found that 55 work orders may have been classified as requiring IAs if the conditions had been identified by Parks Inspection Program (PIP) inspectors. These items were not resolved in a timely manner. Additionally, the District offices are not effectively monitoring the status of open work orders and the information in Asset Management Property System (AMPS) is often not correct.

The timeliness of DPR's resolution of IA repairs will be affected in the near term by the impact of Hurricane Sandy, resulting in the increased importance of prioritizing those items that represent IAs or hazardous conditions.

To address these issues, the audit makes nine recommendations, including that DPR should:

- Implement standards to ensure that supervisory inspections adhere to PIP standards for remediating IA conditions.
- Remediate all work orders with hazardous conditions within 30 days.
- Ensure that IAs are resolved within 30 days.
- Categorize work order repair types and assign specific timeframes for remediating repairs in each category. Categorize conditions identified by District Supervisors using the same criteria used by PIP inspectors.
- Monitor open work orders that are identified as hazardous and resolve them promptly.
- Regularly monitor the status of open work orders and update them in AMPS.
- Follow up on work requests to ensure they have been processed.
- Create work orders before the repairs are completed.

In their response, DPR officials contended that the work orders were prioritized and completed in a timely manner and disagreed with "several findings in the reports regarding how Parks manages its maintenance program and its work orders." However, DPR officials agreed that the reports "raised some important issues regarding the maintenance and repair of the City's playgrounds which we appreciate" and "... We agree that a formal review process for all open work orders would ensure that all requests are managed appropriately."

The agency also said, "In addition, upon careful review of Parks operations and the recommendations in the report, we believe that current and action underway already address the issues raised."

Audit Follow-up

Parks reported that five recommendations are being implemented, two recommendations are partially implemented, and the remaining two recommendations are not implemented.

DEPARTMENT OF PARKS AND RECREATION

Audit Report on the Maintenance and Repairs of the City's Playgrounds by the Department of Parks and Recreation – Brooklyn Borough Office

Audit #7R13-066A

Comptroller's Audit Library #8245

Issued: April 11, 2013

Monetary Effect: None

Introduction

This audit determined the timeliness of maintenance and repairs of the City's public playgrounds by the Department of Parks and Recreation's (DPR) Brooklyn Borough Office.

DPR maintains a municipal parks system of more than 29,000 acres throughout the City, including more than 1,700 parks, 2,500 Greenstreet sites, and over 1,000 playgrounds. One of DPR's principal missions is to manage and care for all playgrounds and playground fixtures in the City.

To provide local parks services, a Borough Commissioner is appointed for each of the City's five boroughs. Each Borough Commissioner oversees the management and operations of agency programs and is responsible for the administrative management of parks and green spaces within the borough, including the maintenance and repair of City parks and playgrounds. A Chief of Operations in each borough oversees the daily operations of all Parks facilities within the borough and ensures that playgrounds are properly maintained.

Results

The Brooklyn Borough Commissioner's office routinely cleans and maintains borough playgrounds. It completed approximately 83 percent of the work orders issued during the audit's scope period. However, the Brooklyn Borough office does not complete remedial work in a timely manner. Specifically, 58 percent of the work orders issued and completed were completed within 30 days. The remaining 42 percent of work orders were completed beyond 30 days. In fact, some repairs took as long as 508 days to complete. In addition, of 583 Immediate Attention (IA) conditions reported to the Borough Office, 46 (8 percent) had not been resolved within the required 30-day period. In fact, some took as long as 387 days to resolve. Furthermore, the audit found that Brooklyn Borough district offices lack guidelines that specify the timeframes for the repair of non-IA conditions.

Based on the work order descriptions provided by DPR, the audit found that 63 work orders may have been classified as requiring IAs if the conditions had been identified by Parks Inspection Program (PIP) inspectors. These items were not completed in a timely manner. Additionally, the District offices are not effectively monitoring the status of open work orders and the information in Asset Management Property System (AMPS) is often not correct.

The timeliness of DPR's resolution of IA repairs will be affected in the near term by the impact of Hurricane Sandy, resulting in the increased importance of prioritizing those items that represent IAs or hazardous conditions.

To address these issues, the audit makes 10 recommendations, DPR should:

- Implement standards to ensure that supervisory inspections adhere to PIP standards for remediating IA conditions.
- Remediate all work orders with hazardous conditions within 30 days.
- Ensure that IAs are resolved within 30 days.
- Categorize work order repair types and assign specific timeframes for remediating repairs in each category.
- Categorize conditions identified by District Supervisors using the same criteria used by PIP inspectors.
- Monitor open work orders that are identified as hazardous and resolve them promptly.
- Regularly monitor the status of open work orders and update them in AMPS.
- Follow up on work requests to ensure they have been processed.
- Install an edit check program in AMPS to ensure that proper dates are entered.
- Create and enter work orders in AMPS before the repairs are completed.

DPR officials contended that the work orders were prioritized and completed in a timely manner and disagreed with "several findings in the reports regarding how Parks manages its maintenance program and its work orders." However, DPR officials agreed that the reports "raised some important issues regarding the maintenance and repair of the City's playgrounds which we appreciate" and "...We agree that a formal review process for all open work orders would ensure that all requests are managed appropriately."

The agency also said, "In addition, upon careful review of Parks operations and the recommendations in the report, we believe that current and action underway already address the issues raised."

Audit Follow-up

Parks reported that five recommendations are being implemented, two recommendations are partially implemented, and the remaining three recommendations are not implemented.

DEPARTMENT OF PARKS AND RECREATION

Audit Report on the Maintenance and Repairs of the City's Playgrounds by the Department of Parks and Recreation – Staten Island Borough Office

Audit #7R13-067A

Comptroller's Audit Library #8246

Issued: April 11, 2013

Monetary Effect: None

Introduction

This audit determined the timeliness of maintenance and repairs of the City's public playgrounds by the Department of Parks and Recreation's (DPR) Staten Island Borough Office.

DPR maintains a municipal parks system of more than 29,000 acres throughout the City, including more than 1,700 parks, 2,500 Greenstreet sites, and over 1,000 playgrounds. One of DPR's principal missions is to manage and care for all playgrounds and playground fixtures in the City.

To provide local parks services, a Borough Commissioner is appointed for each of the City's five boroughs. Each Borough commissioner oversees the management and operations of agency programs and is responsible for the administrative management of parks and green spaces within the borough, including the maintenance and repair of City parks and playgrounds. A Chief of Operations in each borough oversees the daily operations of all DPR facilities within the borough and ensures that playgrounds are properly maintained.

Results

The Staten Island Borough Commissioner's office routinely cleans and maintains borough playgrounds. It completed approximately 93 percent of the work orders initiated during our audit scope period. In addition, 83 percent of the work orders issued and completed were completed within 30 days. The remaining 17 percent of work orders were completed beyond 30 days. Furthermore, of the 90 "Immediate Attention" (IA) reported to the Borough Office, six IAs (7 percent) were not resolved within the required 30 days. In fact, some took from 38 days to 63 days. The audit also found that Staten Island Borough district offices lack guidelines that specify the timeframes for the repair of non-IA conditions.

Based on work order descriptions provided by DPR, the audit found that 11 work orders may have been classified as requiring IA if the conditions had been identified by Parks Inspection Program (PIP) inspectors. These items were not resolved in a timely manner. Additionally, the District offices are not effectively monitoring the status of open work orders and the information in the "Asset Management Property System" (AMPS) is often not correct.

The timeliness of DPR's resolution of IA repairs, while not egregious, will be affected in the near term by the impact of Hurricane Sandy, resulting in the increased importance of prioritizing those items that represent IAs or hazardous conditions.

To address these issues, the audit made six recommendations, including that DPR should:

- Implement standards to ensure that supervisory inspections adhere to PIP standards for remediating IA conditions.
- Remediate all work orders with hazardous conditions within 30 days.
- Ensure that IA items are resolved within 30 days.

- Categorize conditions identified by District Supervisors using the same criteria used by PIP inspectors.
- Regularly monitor the status of open work orders and update them in AMPS.

In their response, DPR officials contended that the work orders were prioritized and completed in a timely manner and disagreed with “several findings in the reports regarding how Parks manages its maintenance program and its work orders.” However, DPR officials agreed that the reports “raised some important issues regarding the maintenance and repair of the City’s playgrounds which we appreciate” and “...We agree that a formal review process for all open work orders would ensure that all requests are managed appropriately.”

The agency also said, “In addition, upon careful review of Parks operations and the recommendations in the report, we believe that current and action underway already address the issues raised.”

Audit Follow-up

Parks reported that four recommendations are being implemented, one recommendation is partially implemented, and the remaining recommendation is not implemented.

DEPARTMENT OF PARKS AND RECREATION

Audit Report on the Maintenance and Repairs of the City’s Playgrounds by the Department of Parks and Recreation – Bronx Borough Office

Audit #7R13-068A

Comptroller’s Audit Library #8247

Issued: April 11, 2013

Monetary Effect: None

Introduction

This audit determined the timeliness of maintenance and repairs of the City’s public playgrounds by the Department of Parks and Recreation’s (DPR) Bronx Borough Office.

DPR maintains a municipal parks system of more than 29,000 acres throughout the City, including more than 1,700 parks, 2,500 Greenstreet sites, and over 1,000 playgrounds. One of DPR’s principal missions is to manage and care for all playgrounds and playground fixtures in the City.

To provide local parks services, a Borough Commissioner is appointed for each of the City’s five boroughs. Each Borough commissioner oversees the management and operations of agency programs and is responsible for the administrative management of parks and green spaces within the borough, including the maintenance and repair of City parks and playgrounds. A Chief of Operations in each borough oversees the daily operations of all DPR facilities within the borough and ensures that playgrounds are properly maintained.

Results

The Bronx Borough Commissioner’s office routinely cleans and maintains borough playgrounds. It completed 97 percent of the 6,040 work orders issued. In addition, 90 percent of the work orders issued and completed were completed within 30 days. The remaining 10 percent of

work orders were completed beyond 30 days. Furthermore, of the 239 “Immediate Attention” (IAs) reported to the Borough Office, 12 IAs (5 percent) were not resolved within the required 30 days. In fact, some took from 31 days to 129 days to remedy. The audit also found that Bronx Borough district offices lack guidelines that specify the timeframes for the repair of non-IA conditions.

Based on work order descriptions provided by DPR, the audit found that 81 work orders may have been classified as requiring IA if the conditions had been identified by Parks Inspection Program (PIP) inspectors. These items were not resolved within 30 days. Additionally, the District offices are not effectively monitoring the status of open work orders and the information in the “Asset Management Property System” (AMPS) is often not correct.

The timeliness of DPR’s resolution of IA repairs will be affected in the near term by the impact of Hurricane Sandy, resulting in the increased importance of prioritizing those items that represent IAs or hazardous conditions.

To address these issues, the audit makes nine recommendations, including that DPR should:

- Implement standards to ensure that supervisory inspections adhere to PIP standards for remediating IA conditions.
- Remediate all work orders with hazardous conditions within 30 days.
- Ensure that IAs are resolved within 30 days.
- Categorize work order repair types and assign specific timeframes for remediating repairs in each category. Categorize conditions identified by District Supervisors using the same criteria used by PIP inspectors.
- Monitor open work orders that are identified as hazardous and resolve them promptly.
- Regularly monitor the status of open work orders and update them in AMPS.
- Follow up on work requests to ensure they have been processed.
- Create work orders before the repairs are completed.

In the response, DPR officials contended that the work orders were prioritized and completed in a timely manner and disagreed with “several findings in the reports regarding how Parks manages its maintenance program and its work orders.” However, DPR officials agreed that the reports “...raised some important issues regarding the maintenance and repair of the City’s playgrounds, which we appreciate.” and “...We agree that a formal review process for all open work orders would ensure that all requests are managed appropriately.”

The agency also said, “In addition, upon careful review of Parks operations and the recommendations in the report, we believe that current and action underway already address the issues raised.”

Audit Follow-up

Parks reported that five recommendations are being implemented, two recommendations are partially implemented, and the remaining two recommendations are not implemented.

KINGS COUNTY PUBLIC ADMINISTRATOR'S OFFICE

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

Audit #FK12-079A

Comptroller's Audit Library #8274

Issued: June 28, 2013

Monetary Effect: Potential Savings: \$2,198,082

Introduction

This audit determined whether the Kings County Public Administrator (KCPA) properly executed its fiduciary responsibilities, including safeguarding estate assets, accurately reporting revenue and expenses, and managing estate activities in accordance with Article 11 of the New York State Surrogate's Court Procedures Act (SCPA) and other applicable State and City regulations.

KCPA is responsible for administering the estates of individuals in Brooklyn who die without a will or when no other appropriate individual is willing or qualified to administer the estate. As an estate administrator, KCPA has a fiduciary duty to "protect the decedent's property from waste, loss, or theft;...to conduct thorough investigations to discover all assets; to liquidate assets at public sale or distribute assets to heirs; to pay the decedent's bills and taxes; and to locate persons entitled to inherit from the estate and ensure that the legal distributees receive their inheritance." KCPA utilizes the CompuTrust database system to account for estate activities, including all income and expense transactions. According to CompuTrust, as of June 30, 2011, KCPA was responsible for 3,323 estates valued at \$74.6 million.

KCPA's activities are primarily governed by Article 11 of SCPA. KCPA is required to submit to the Surrogate's Court, the New York State and New York City Comptrollers, the New York State Attorney General, and the New York City Mayor audits and reports on open and closed estates to allow them to assess, monitor, and hold KCPA accountable for its fiscal and operational performance.

This audit covered the period July 1, 2010, through June 30, 2013.

Results

KCPA failed to properly carry out its fiduciary responsibilities because it did not act in the best interests of estates, carry out its duties prudently, and comply with statutory rules and regulations. Specifically, KCPA did not implement internal controls for critical estate administration functions including asset identification, collection, safeguarding, and distribution; estate accounting including the recording, documenting, and reporting of income and expenses transactions; bank account administration; and estate management, monitoring, and tracking.

Additionally, KCPA failed to submit to the Surrogate's Court, State Attorney General, State and City Comptroller's Office, and the Mayor the required financial and operational reports that would allow them to effectively assess, monitor, and hold KCPA accountable for its performance.

On other matters, KCPA's failure to establish proper internal controls to monitor and safeguard estate assets may have provided the opportunity for certain mishandling of estate activities and the recently reported misappropriation of funds. During the course of the audit, auditors became aware of an issue involving the indictment of a KCPA bookkeeper for stealing more than \$2.6 million from decedents' estates between August 2008 and November 2011.

To address these issues, the audit makes 18 recommendations, including that KCPA should:

- Implement asset identification checklists detailing basic databases for staff to search, including but not limited to the Department of Finance's (DOF) Automated City Register Information System (ACRIS) public database of real property records, the Office of the New York State Comptroller (OSC) public database of unclaimed funds, and the New York State Department of Motor Vehicles (NYS-DMV) database of automobiles, boats, and other motorized vehicles records.
- Ensure that staff properly completes Desk Review Form Disbursement Cover Sheets detailing the amount, reason, and review and approval for expenses, attach supporting documentation to them, and maintain them in estate files.
- Ensure that staff maintain in estate files documentation of estate income transactions, including but not limited to appraisal reports, bills of sale, receipts, and checks.
- Periodically compare source documents, including but not limited to income and expense documentation and Letters of Administration, to data recorded in CompuTrust to ensure accuracy and reliability.
- Maintain a master inventory record in each estate file or in CompuTrust that details every item of estate property held by the Public Administrator (PA) in its safe, warehouse, banks, and other locations.
- Utilize CompuTrust "tickler" functions or implement an alternative system that is capable of notifying KCPA when critical actions need to be performed and tracks estates' progress.
- Properly reconcile CompuTrust and bank balances on a monthly basis.
- Periodically review its Outstanding Check Register, void checks outstanding more than 180 days, determine why they were not cashed, and reissue checks accordingly.
- Immediately submit to the Surrogate's Court, State Attorney General, State and City Comptroller's Offices, and the Mayor outstanding audits and reports. Thereafter, submit audits and reports within prescribed timeframes.
- Institute written policies and procedures that adequately and specifically address the duties and procedures to be followed by key employees responsible for asset identification, collection, safeguarding, and distribution; bank account administration; estate accounting including the recording, documenting, and reporting of income and expenses transactions; and estate management, monitoring, and tracking, and distribution; bank account administration; estate accounting including the recording, documenting, and reporting of income and expenses transactions; and estate management, monitoring, and tracking.

KCPA did not address the report's findings or disagreed with them, stating that the audit did not take into account information and documentation presented to the auditors. However, as acknowledged by KCPA in its response, auditors conducted a lengthy review of KCPA processes, estate files, and other relevant KCPA-obtained and independently obtained documentation. Throughout the audit and reporting process, auditors repeatedly requested, reviewed, and considered all relevant documentation provided. However, KCPA was generally non-responsive.

In its response, KCPA focused on refuting the report's finding that it did not identify, collect, or credit decedents' estates for assets worth \$2.2 million, and more particularly, those findings pertaining to real property, stating, "we have now presented you with documentation that each of the six real estate matters that you cite in the chart was acted upon properly by the PA and

any funds that were to be received were properly credited to the correct estate account.” However, KCPA did not establish asset identification policies and procedures or checklists detailing basic databases for its staff to search or conduct supervisory reviews of estate files. Consequently, for 27 of 50 sampled open estates, KCPA did not, in fact, identify, collect, credit decedents’ accounts for, and ultimately distribute assets, including real property, worth at least \$2.2 million. For example, based on our review of DOF’s real property records, in December 2009, KCPA sold a decedent’s six-family home for \$140,000. However, KCPA did not maintain evidence of this transaction in the decedent’s estate file.

Audit Follow-up

KCPA reported that it implemented or is in the process of implementing the audit recommendations, or took other steps to address them.

BROOKLYN PUBLIC LIBRARY

Letter Report on the Brooklyn Public Library's Controls over Internet Access

Audit #7A13-073AL

Comptroller's Audit Library #8257

Issued: May 20, 2013

Monetary Effect: None

Introduction

This audit determined if the Brooklyn Public Library's controls are sufficient to prevent unauthorized access to inappropriate sites as required by the Children's Internet Protection Act (CIPA).

The Brooklyn Public Library (BPL) serves the borough's 2.5 million residents, offering thousands of public programs, millions of books, and the use of more than 1,100 free internet-accessible computers.

BPL has equipped the Central Library at Grand Army Plaza, the Business Library, and each neighborhood library with internet-enabled computers. These computers provide customers with access to a vast array of electronic resources that supplement the library's print collection and are also available for educational, informational, and recreational purposes. CIPA requires that schools and libraries in the United States use and implement measures to protect children from harmful online content as a condition for the receipt of federal funding under the Universal Service Discount Program and the Library Services and Technology Act. CIPA was signed into law on December 21, 2000, and was found constitutional June 23, 2003.

The use of internet filters or content-control software varies widely in public libraries in the United States because internet use policies are established by the local board. Many libraries adopted internet filters after Congress conditioned the receipt of universal service discounts on the use of internet filters through CIPA. Other libraries do not install content-control software, believing that acceptable use policies and educational efforts address the issue of children accessing age-inappropriate content while preserving adult users' rights to freely access information. Some libraries use internet filters on computers used by children only. Some libraries that employ content-control software allow the software to be deactivated on a case-by-case basis on application to a librarian; libraries that are subject to CIPA are required to have a policy that allows adults to request that the filter be disabled without having to explain the reason for their request.

Results

It is the audit's opinion that the BPL's policies are sufficient to prevent unauthorized access to inappropriate sites as required by CIPA. The Trustwave Web Filter software package used by BPL has the ability to detect inappropriate websites and prevent unauthorized access. The Trustwave Web Filter package is updated nightly to reflect new websites that should be controlled. In addition, the audit found that the individual libraries that were tested complied with BPL policy. However, a test of eight websites that should be blocked based on BPL's policies found that several were initially accessible despite the use of Trustwave. When these websites were identified, however, the library staff immediately contacted the service desk and the exposure was eliminated.

In their response, BPL officials agreed with the report's conclusions and two recommendations:

- Continue monitoring the access controls over the internet and deny access to websites as prescribed by CIPA
- Continue to eliminate all questionable websites (that do not comply with regulations) found by the public or librarians by contacting the service desk.

Audit Follow-up

BPL reported that both audit recommendations are being implemented.

NEW YORK PUBLIC LIBRARY

Letter Report on the New York Public Library's Controls over Internet Access

Audit #7A13-072AL

Comptroller's Audit Library #8256

Issued: May 28, 2013

Monetary Effect: None

Introduction

This audit determined if the New York Public Library's (NYPL) controls are sufficient to prevent unauthorized access to inappropriate sites as required by the Children's Internet Protection Act (CIPA).

NYPL has 90 locations including four research centers, focusing on the humanities and social sciences, the performing arts, black history and culture, and business and industry. It also has a network of neighborhood libraries throughout the Bronx, Manhattan, and Staten Island. Throughout the system, NYPL provides free and open access to its physical and electronic collections and information as well as to its services for people of all ages, from toddlers to teens to adults.

CIPA requires that schools and libraries in the United States use and implement measures to protect children from harmful online content as a condition for the receipt of federal funding under the Universal Service Discount Program and the Library Services and Technology Act. CIPA was signed into law on December 21, 2000, and was found constitutional on June 23, 2003.

The use of internet filters or content-control software varies widely in public libraries in the United States because internet use policies are established by the local board. Many libraries adopted internet filters after Congress conditioned the receipt of universal service discounts on the use of internet filters through CIPA. Other libraries do not install content-control software, believing that acceptable use policies and educational efforts address the issue of children accessing age-inappropriate content while preserving adult users' rights to freely access information. Some libraries use internet filters on computers used by children only. Some libraries that employ content-control software allow the software to be deactivated on a case-by-case basis on application to a librarian; libraries that are subject to CIPA are required to have a policy that allows adults to request that the filter be disabled without having to explain the reason for their request.

Results

It is the audit's opinion that the NYPL libraries' policies are sufficient to prevent unauthorized access to inappropriate sites as required by CIPA. The WebSense Enterprise software package used by NYPL has the ability to detect inappropriate websites and prevent unauthorized access. The WebSense Enterprise software package is updated daily to reflect new websites that should be controlled. In addition, the audit found that the individual libraries that were tested complied with NYPL policy. However, a test of eight websites found that several were initially accessible despite the use of WebSense. When these websites were identified, however, the library staff immediately contacted the service desk and the exposure was eliminated.

In their response, NYPL officials agreed with the report's conclusions and two recommendations:

- Continue monitoring the access controls over the internet and deny access to websites as prescribed by CIPA
- Continue to eliminate all questionable websites (that do not comply with regulations) found by the public or librarians by contacting the service desk.

Audit Follow-up

NYPL reported that it is implementing both audit recommendations.

QUEENS PUBLIC LIBRARY

Letter Report on the Queens Public Library's Controls over Internet Access

Audit #7A13-074AL

Comptroller's Audit Library #8258

Issued: May 20, 2013

Monetary Effect: None

Introduction

This audit determined if the Queens Public Library's controls are sufficient to prevent unauthorized access to inappropriate sites as required by the Children's Internet Protection Act (CIPA).

The Queens Public Library (QPL) serves 2.3 million people from 62 locations and has seven Adult Learning Centers and two Family Literacy Centers. QPL's circulation of books and other library materials is among the highest in the country.

CIPA requires that schools and libraries in the United States use and implement measures to protect children from harmful online content as a condition for the receipt of federal funding under the Universal Service Discount Program and the Library Services and Technology Act. CIPA was signed into law on December 21, 2000, and was found constitutional June 23, 2003.

The use of internet filters or content-control software varies widely in public libraries in the United States because internet use policies are established by the local board. Many libraries adopted internet filters after Congress conditioned the receipt of universal service discounts on the use of internet filters through CIPA. Other libraries do not install content-control software, believing that acceptable use policies and educational efforts address the issue of children accessing age-inappropriate content while preserving adult users' rights to freely access information. Some libraries use internet filters on computers used by children only. Some libraries that employ content-control software allow the software to be deactivated on a case-by-case basis on application to a librarian; libraries that are subject to CIPA are required to have a policy that allows adults to request that the filter be disabled without having to explain the reason for their request.

Results

It is the audit's opinion that the QPL's policies are sufficient to prevent unauthorized access to inappropriate sites as required by CIPA. The Comprise M86 Security software used by QPL to filter out restricted sites and content has the ability to detect inappropriate websites and prevent unauthorized access. The audit noted that the Comprise M86 software package is updated daily to reflect new websites that should be controlled. In addition, the audit found that the individual libraries that were tested complied with QPL policy. However, a test of eight websites that should be blocked based on QPL's policies found that several were initially accessible despite the use of Comprise M86. When these websites were identified, however, the library staff immediately contacted the service desk and the exposure was eliminated.

In their response, QPL officials agreed with the report's conclusions and two recommendations:

- Continue monitoring the access controls over the internet and deny access to websites as prescribed by CIPA
- Continue to eliminate all questionable websites (that do not comply with regulations) found by the public or librarians by contacting the service desk.

Audit Follow-up

QPL reported that it is implementing both audit recommendations.

DEPARTMENT OF SANITATION

Audit Report on the Department of Sanitation's Oversight of Construction Management Consultants

Audit #7E12-112A

Comptroller's Audit Library #8239

Issued: March 12, 2013

Monetary Effect: Potential Savings: \$28,045,334⁸

Introduction

The audit determined whether the Department of Sanitation (DOS) complied with appropriate standards for effectively monitoring its construction management consultants to complete capital construction projects in a timely and cost efficient manner.

At present, DOS is constructing or "closing out" six projects totaling \$850 million to build three new garages and two marine transfer stations and to close and cover the Fresh Kills landfill. To carry out these improvements, DOS has contracts with five construction management consultants totaling \$65 million that are responsible for managing the timely completion and close-out of the projects.

Results

DOS is effectively monitoring construction management consultants to ensure that work is being performed effectively and in a timely manner with the exception of the Bureau of Engineering, which is not doing so. Construction of the three projects associated with DOS's Bureaus of Long Term Export and Waste Management Engineering was completed on time or with delays necessitated by unforeseen foundation conditions. However, the three projects associated with the Bureau of Engineering were delayed for up to six years and resulted in the payment of more than \$13 million to construction management consultants. Moreover, the delay in completing one project resulted in the imposition of monetary penalties totaling more than \$8 million. Furthermore, the City may be liable to pay an additional \$5.9 million in penalties if another project is not completed in a timely manner, thereby yielding more than \$14 million in monetary penalties.

This report makes a total of 13 recommendations, including that DOS should:

- Ensure the expeditious completion and close-out of the Garage projects. Compile standard written procedures for overseeing projects that are managed by construction management consultants. In that regard, promulgate uniform standards for assigning in-house personnel to oversee construction management consultants.
- Devise a computerized tracking system to oversee construction progress.
- Seek recoupment for payments made to construction managers if any project and close-out delays are attributable to construction management consultants.
- Seek relief from the possible assessment of \$5.9 million in monetary penalties for the relocation of the Gansevoort Garage by ascertaining whether the delayed project commencement was attributable to extenuating circumstances.

⁸ This amount consists of \$13,800,334 (additional construction management costs), \$8,250,000 (legal settlement penalties), and \$5,995,000 (potential penalties).

- Ensure that the amount of liquidated damages is sufficient to adequately protect the City's interests in cases where delays are due to contractors.
- Ensure that all consultant and contractor performance evaluations are submitted in the City's VENDEX system.

In their response, DOS officials stated that they reviewed the draft audit "and continue to have some comments and concerns that we have mentioned several times regarding the findings and recommendations."

Specifically, "The report goes on to further highlight the deficiencies of one Bureau, but it does not adequately recognize the other Bureaus nor the Agency for the projects audited which were successful, well administered and executed."

Additionally, DOS stated, "The \$13,800,334 in additional payments for construction management consultant services were made to the construction manager, as a result of, in most cases, unanticipated delays during the construction and closeout phases of the projects."

DOS agreed with 10 recommendations. The audit considers DOS to have disagreed with three recommendations.

Audit Follow-up

DOS reported that seven recommendations have been either implemented or are in the process of being implemented, one recommendation was partially implemented, and disagreed with and will not implement the remaining five recommendations.

DEPARTMENT OF SANITATION

Audit Report on the Controls over the Processing of Notices of Violation Issued by the Department of Sanitation

Audit #MD12-124A

Comptroller's Audit Library #8270

Issued: June 25, 2013

Monetary Effect: None

Introduction

The audit determined (1) whether the Department of Sanitation (DOS) had adequate controls in place to ensure that Notices of Violation (NOVs) are properly processed and (2) whether DOS made adequate efforts to identify and eliminate deficiencies in its issuance process that may contribute to NOV dismissals.

DOS is responsible for the cleanliness of City streets, collection of refuse, and final disposal of waste. It enforces City sanitation laws and regulations as well as rules related to the City's health codes. DOS monitors compliance with provisions of the codes related to cleanliness of City streets. Violators receive an NOV, which is adjudicated by the Environmental Control Board (ECB), and any resulting penalties are paid to ECB or the Department of Finance. ECB processed 356,404 DOS NOVs in Fiscal Year 2012, representing 63 percent of the NOVs that ECB received from City agencies. Of the DOS NOVs processed during the year, ECB dismissed 40,889 (11.4 percent) of them. During that same year, ECB reportedly received

\$31,162,605 in revenues for DOS NOVs, representing 22 percent of the revenues that ECB received for NOVs issued by City agencies.

Results

DOS's controls over the issuance and processing of NOVs need to be improved. DOS has not made adequate efforts to identify and eliminate deficiencies in its issuance process. DOS does not track and monitor NOV disposition and dismissal information and is, therefore, unable to identify and track the causes of the dismissals. This information would aid DOS in developing strategies to help reduce dismissals based on deficiencies in its issuance process.

The audit also identified other weaknesses in DOS's oversight of NOVs. Specifically, DOS has inadequate segregation of duties over the process for voiding electronic NOVs and does not have a reliable handheld terminal inventory listing. We also identified internal control weaknesses with the issuance of manual NOVs, resulting in NOVs not accounted for or not submitted to ECB.

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

- Implement procedures to ensure that NOV disposition and dismissal information is tracked and reported, allowing it to develop strategies to reduce NOV dismissal rates and improve staff training.
- Ensure that supervisors do not have the ability to both void NOVs and approve the voids.
- Strengthen its controls over the handheld terminals (HHTs) and inventory records, and take appropriate action to ensure that all HHTs are accounted for and their location and disposition is accurately documented.
- Ensure that the Logging Unit complies with operating procedures to help ensure that all manual NOVs are accounted for and transmitted to ECB.

DOS officials generally agreed with eight of the nine recommendations, disagreeing only with the recommendation that it create an interface between DOS's and ECB's computer systems.

Audit Follow-up

DOS reported that five recommendations have been implemented, and three recommendations are in process of being implemented. It continues to disagree with the remaining recommendation.

DEPARTMENT OF SMALL BUSINESS SERVICES

Audit Report on the Administration of the Emerging Business Enterprise Program by the Department of Small Business Services

Audit #MD13-077A

Comptroller's Audit Library #8261

Issued: June 6, 2013

Monetary Effect: None

Introduction

This audit determined whether the Department of Small Business Services (DSBS) complied with key provisions of Local Law 12 of 2006 with regards to the Emerging Business Enterprise (EBE) program.

The mission of DSBS is to make it easier for businesses in New York City to form, do business, and grow. It provides direct assistance to business owners, fosters neighborhood development in commercial districts, links employers to a skilled and qualified workforce, and promotes economic opportunity for businesses. As part of its mission, DSBS runs the EBE program, which was enacted by the City Council and signed by the Mayor as Local Law 12 of 2006. The program is designed to promote opportunities for businesses owned by persons who are socially and economically disadvantaged. As stated on the City's Business Express website, the EBE program "is designed to promote fairness and equity in city contracting and to level the playing field for these business owners." Certified businesses have greater access to and information about contracting opportunities through classes, networking events, and targeted solicitations. These businesses also receive technical assistance and are included in the City's Online Directory of Certified Businesses.

Results

Of the six key provisions audited, DSBS substantially complied with only one—preparing and updating an EBE directory. For three other provisions—establishing and operating a program for the identification, recruitment, certification, and participation of EBEs; annually reporting the City's EBE efforts to the Mayor and City Council; and collecting the necessary information to determine the availability and utilization of EBEs to revise the citywide participation goals accordingly—DSBS substantially did not comply. For the remaining two provisions—periodically reviewing City agencies' compliance with EBE participation requirements and performing EBE-related audits—DSBS was unable to comply due to minimal participation in the program by vendors.

Although DSBS has established and is administering the EBE program, it does not appear to be operating as intended. Overall, DSBS provided minimal evidence of its efforts regarding the EBE program, specifically in identifying and recruiting businesses that qualify as EBEs. To date, there are only three certified EBEs with a total of only 22 applications submitted since the beginning of the program in 2007. As a result, DSBS cannot adequately assess the effectiveness of the EBE program and its lack of information is hindering its efforts in increasing the participation of EBEs in the City's procurement process.

DSBS generally complied with only one of the four aspects (with regard to certification) of the key provision requiring it to establish and operate an EBE program. DSBS developed an EBE certification application which adheres to the requirements of the Local Law and requires the applicants to provide supporting documentation to evidence social and economic disadvantage.

Furthermore, DSBS maintains an updated list of certified EBEs in its directory of certified companies posted on its website for use by agencies.

However, there was a lack of evidence that DSBS made any substantial efforts to increase the certification of EBEs. DSBS's outreach efforts and promotional materials used for the EBE program generally speak primarily of the Minority- and Women-Owned Business Enterprise (M/WBE) program, with only minimal mention, if any, of the EBE program. In addition, DSBS has not reported to the Mayor's Office or to the City Council on its activities and efforts relating to the EBE program.

To address these issues, the audit made five recommendations, including that DSBS should:

- Update its website and brochures to better promote the EBE program, ensuring that the information is readily available and prominently displayed.
- Maintain adequate documentation regarding its outreach efforts in promoting the EBE program.
- Submit the required reports to the Mayor and City Council detailing its efforts to promote the EBE program, the program's accomplishments, if any, and provide strategies to improve the program resulting from the studies conducted on businesses and/or the feedback obtained from businesses.

DSBS officials generally agreed with four of the audit's five recommendations, but did not address the recommendation that they adequately document their efforts to promote the EBE program. In addition, DSBS disagreed with the audit's finding that there was a lack of evidence that the agency effectively promoted the program.

Audit Follow-up

DSBS reported that all recommendations have either been implemented or are in the process of being implemented. DSBS plans to host stand alone certification workshops in January 2014 for business owners interested in the EBE program.

DEPARTMENT OF SMALL BUSINESS SERVICES

Audit Report on the Department of Small Business Services' Administration of the Minority and Women-Owned Business Enterprise (M/WBE) Certification Program

Audit #MH12-100A

Comptroller's Audit Library #8251

Issued: May 6, 2013

Monetary Effect: None

Introduction

The audit determined whether the Department of Small Business Services (DSBS) had adequate controls to ensure that businesses certified as Minority and Women-Owned Business Enterprises (M/WBEs) met the necessary qualifications.

DSBS administers the M/WBE Certification Program, which was enacted in 2005 under Local Law 129 to promote fairness and equity in New York City's procurement and to strengthen the

ability of certified enterprises to compete successfully. All applicants seeking M/WBE certification must complete and submit to DSBS the M/WBE Certification Application along with the required supporting documentation. DSBS's Division of Economic and Financial Opportunity (DEFO) reviews these documents and decides whether the applicant should be certified or denied certification as an M/WBE. In the event of a denial, the applicant may appeal the determination to the Office of the General Counsel, which renders a final decision.

During Fiscal Year 2011, DSBS certified 626 M/WBEs. There were a combined total of 3,597 certified businesses listed on DSBS's *Online Directory of Certified Businesses* as of December 31, 2012.

The audit scope was July 1, 2010, through October 31, 2012.

Results

DSBS had adequate controls to ensure that businesses certified as M/WBEs met the necessary qualifications. Of the 40 sampled businesses that applied for M/WBE certification, the case files contained sufficient evidence to support DSBS's determination for 36 (90 percent) of them. The case files for two businesses did not contain sufficient evidence to justify the DEFO director's decision to overrule the analysts' recommendations to deny certification. The case files for the remaining two businesses were incomplete so auditors were unable to ascertain whether DSBS's initial determinations were reasonable.

DSBS does not ensure that certified M/WBEs submit annual affirmation affidavits in a timely manner, as required by law, so that only qualified enterprises remain in the program. DSBS also does not have a third-party review process in place to evaluate the DEFO director's decision to overrule analysts' recommendations to deny certification.

The audit made 11 recommendations, including that DSBS should:

- Ensure that all M/WBE certified enterprises submit their affirmations annually.
- Ensure that certifications are revoked for those enterprises that do not submit their affirmations in a timely manner and remove them from DSBS's *Online Directory of Certified Businesses* website.
- Require that the DEFO director provide a more detailed explanation to justify overruling the reviewing analysts' recommendations to certify or deny certification of an applicant to the M/WBE program.
- Develop a third-party review process for when the DEFO director overrules analysts' recommendations to deny the certification of a business.

In their response, DSBS officials generally agreed with eight of the report's 11 recommendations and disagreed with three pertaining to the lack of third-party review when the director overrules the analysts' recommendations to deny certification.

Audit Follow-up

DSBS reported that it has either implemented or is in the process of implementing the eight recommendations that it agreed with and continues to disagree with the remaining three recommendations.

OFFICE OF THE SPECIAL NARCOTICS PROSECUTOR

Letter Report on the Office of the Special Narcotics Prosecutor's Monitoring of Its Employees Using City- or Personally -Owned Vehicles to Conduct City Business

Audit #7R13-065AL

Comptroller's Audit Library #8224

Issued: January 7, 2013

Monetary Effect: None

Introduction

This audit determined if the Office of the Special Narcotics Prosecutor (OSNP) is effectively monitoring its employees who drive City-owned or personally-owned vehicles on City business.

New York City requires that only those employees who exercise reasonable care in operating City- or personally-owned vehicles be allowed to use them to conduct City business. This requirement is outlined in the City of New York's "City Vehicle Driver Handbook" (Regulations). All agency heads through the Agency Transportation Coordinator (ATC) must ensure that all employees assigned a City-owned vehicle either for full-time use or temporary use are authorized to drive. It is also the ATC's responsibility to ensure that these drivers have valid licenses and insurance (if they are driving their personal vehicles). The driver's license should be a New York State License unless the employee is exempt from City residency requirements. If this is the case, then the authorized driver must have a valid license from the state where he/she resides and must have the appropriate classification for the vehicle which he/she is driving on City business. The Regulations further specify that City agencies must establish programs that promote safety along with proper training in the use of motor vehicles.

In following these criteria, City agencies use the New York State Department of Motor Vehicles (DMV) License Event Notification System (LENS). The ATC is responsible for notifying DMV of all agency-authorized drivers. This enables the DMV's LENS program to notify the ATC of any event that affects the driver's license. This includes: if a license is expiring; points accrued; accidents; driving while impaired; or driving while under the influence. This enables the ATC to ensure that only employees with valid licenses are driving on City business. The City's policy recommends that agencies participate in LENS to monitor the driving behavior of their employees.

Results

The audit found that OSNP effectively monitors the driving behavior of its authorized drivers. OSNP uses the New York State DMV Dial- In- Inquiry to receive its updates and revoke the privileges of those drivers who have a suspended or revoked license in a timely manner as prescribed by regulations. OSNP also verifies that its employees who drive their personal vehicles for City business have insurance. In addition, OSNP employees are provided with a required safety awareness program.

The audit also found that OSNP monitors the use of E-ZPasses and permits by its authorized drivers in accordance with applicable rules and regulations.

In their response, OSNP officials generally agreed with the report.

DEPARTMENT OF TRANSPORTATION

Audit Report on the New York City Department of Transportation's Administration of the Light Pole Banner Permit Program

Audit #FN12-066A

Comptroller's Audit Library #8205

Issued: August 24, 2012

Potential Monetary Effect: Potential Revenue: \$14,269,770

Introduction

The Department of Transportation (DOT) is responsible for administering the New York City Light Pole Banner Program. As defined in Chapter 2 of Title 34 § 2-14 (b) of the Rules of the City of New York (Highway Rules), the purpose of the banner program is to foster tourism and enhance the overall image of the City by allowing not-for-profit entities to display banners that promote cultural and historical events. According to the Highway Rules, DOT may only issue banner permits to Business Improvement Districts, Local Development Corporations, or other entities that receive Commercial Revitalization Program funds from the Department of Small Business Services. Although banner permits are subject to the same general requirements of other City infrastructure assets, such as street furniture and decorative planters, banners are not subject to a permit fee under § 2.3 of the Highway Rules fee structure.

DOT is required to inspect banners to ensure compliance with the Highway Rules. The inspection involves identifying banners that are torn, defaced, or in general disrepair. According to DOT, if after a 24-hour banner warning, a banner has not been removed or a violation corrected, DOT will issue a summons. The Environmental Control Board (ECB) is responsible for processing the summons. The ECB court determines any escalation or dismissal of the fines and the collection of any related fee.

Although the DOT Highway Rules do not allow banner advertising, they do permit sponsor names and logos to appear on the lower portion of banners if they do not occupy more than 10 percent of banner space. DOT generally allows up to 200 banners per entity. However, DOT can allow in excess of 200 banners for any one marketing campaign in the five boroughs. In addition to promoting their public events, participants of the banner program use their events to generate revenue through sponsorship agreements. For example, when banners are assigned to a not-for-profit entity, the entity can enter into an agreement with a third-party contractor to secure sponsorship advertising in connection with the entity's event. A sponsorship agreement allows the contractor to collect sponsor advertising revenue and split the revenue with the not-for-profit entity. Banner sponsorship advertisement has become a revenue-generating vehicle for certain not-for-profit entities in the City. However, because DOT runs this program free of charge, there is no revenue benefit to the City. According to DOT's internal weekly banner report, there were a total of 344,165 banners installed throughout the five boroughs in Fiscal Year 2011.

This audit covered the period July 1, 2010, to June 30, 2011.

Results

DOT did not adequately administer the banner program in accordance with applicable rules and regulations. Specifically, DOT did not maintain accurate records to document the number of permits requested and permits issued and did not have adequate procedures to ensure that initial and renewal permit requests were submitted and approved. As a result, DOT could not properly track the unauthorized use of expired permits or ensure that it inspected all banners for

which permits were issued. Furthermore, DOT did not ensure that its banner inspections were properly conducted, that insurance policies were up-to-date, and that permit holders were issued notices of violation for all banner violations. Consequently, DOT could not ensure the collection of up to \$287,550 in fines for banner violations—funds which could be used to recoup some of the City’s personnel expenses incurred for administering the program.

Regarding a related issue, the audit contends that the City should establish a reasonable fee structure that would allow DOT to charge a banner permit application fee and ensure banner program administrative costs are fully recovered. As revealed in an analysis of similar banner programs in 22 major cities, permit holders are charged permit fees that range from \$10 to \$300. Because the City already has a permit fee structure established for similar activities ranging from \$10 to \$135, on the basis of such a structure, the audit estimate that the DOT program could generate between approximately \$1 million and \$14 million in revenue annually.

Moreover, the City does not receive any direct revenue benefit from sponsorship advertising through the banner program. Given that the City is providing its light pole infrastructure asset to be used by third-party companies and not-for profit entities as an income-generating vehicle, the audit contends that it would be reasonable if the City would share a portion of the banner program advertising revenue as well. If the City were to do so, the audit estimates that it could generate a significant source of additional funding by collecting millions in annual revenue from the banner program and still provide a significant source of revenue and program support to not-for-profit entities’ public events.

To address these issues, the audit makes seven recommendations, DOT should:

- Maintain accurate and complete inventory reports identifying the correct number of banners displayed in the five boroughs, including issuance and expiration dates.
- Monitor program compliance to ensure that permits are properly approved before the banner installation date.
- Ensure that permit applications include the required insurance.
- Ensure banners are inspected and violations are issued and properly tracked.
- Consider measures that would authorize DOT to:
 - Require a banner permit application fee;
 - Design a fee structure for banner permits and renewals by borough location and length of permit; and
 - Ensure banner program administrative costs are fully recovered.
- Ensure that banner sponsorship agreements are approved by the City.
- Design and establish a structure to enable DOT to collect or share a portion of banner sponsorship revenue.

DOT officials acknowledged that “the Banner Program’s recordkeeping and its inspection procedures could be enhanced” and indicated that “Banner Program staff had been working with DOT’s IT&T division to upgrade and redesign its current database.” However, DOT took “exception to the unbalanced reporting of the audit findings and recommendations. The audit failed to acknowledge the Banner Program’s necessary prioritization of inspections. Because there are approximately 8,600 banners installed during a NYC Department 30-day cycle, it is not feasible for the Banner Program’s three inspectors to inspect every installed banner. Thus, inspections are complaint driven and the inspections are conducted based on . . . priorities.” DOT’s claims are unfounded and only reinforce our audit findings and recommendations. As

noted, DOT tracks neither the number of banners issued nor the number of inspections conducted. Without this critical information, DOT cannot determine the number of inspections to be performed and, as a result, the number of inspectors needed. Further, DOT provided no evidence of either routine or prioritized inspection schedules.

Regarding the recommendation that DOT implement a fee structure to ensure that Banner Program administrative costs are fully recovered, DOT responded that “the goal of the Banner Program is to promote cultural exhibits and events or public or historical events which foster tourism and/or enhance the image of the City. This goal supports the City’s economic development initiatives and the efforts of small businesses community based groups, not for profits and BIDs.” Contrary to DOT’s position, charging a permit fee is not at odds with the goal of the banner program. As DOT is aware, after obtaining banner permits from DOT, not-for-profit entities then negotiate agreements with for-profit advertising companies to market the banners. These agreements, among other things, grant these companies exclusive rights to control and coordinate the banner program and ensure that not-for-profit entities receive revenue from the sale of advertising space on the banners. Specifically, New York City & Company (NYC & Co.)—one of the non-profits participating in the program and its for-profit partner—receive millions of dollars in advertising revenue from the banner program, a program it claims New York City is not entitled to share in. Meanwhile, the City expends significant resources to run the banner program and receives nothing in return—not even a permit fee. When substantial advertising revenue is generated from banners (such as the \$1.5 million annually that NYC & Co. receives), DOT should charge nominal permit fees—from \$10 to \$135—to recover at least the Banner Program administrative costs. The recommended fees are not onerous and would not preclude NYC & Co. from participating in the program or prevent the City from reaching its economic development goals.

Audit Follow-up

DOT reported that four recommendations are in the process of being implemented. It continues to disagree with the remaining three recommendations concerning designing a fee structure, having banner sponsorships agreements approved by the City, and sharing a portion of banner sponsorship revenue.

DEPARTMENT OF TRANSPORTATION

Follow-up Audit Report on the Controls of the Department of Transportation over City Disability Parking Permits

Audit #MD12-103F

Comptroller’s Audit Library #8217

Issued: November 29, 2012

Monetary Effect: None

Introduction

The follow-up audit determined whether the Department of Transportation (DOT) has implemented the key recommendations made in the previous audit, *Audit Report on the Controls of the Department of Transportation over City Disability Parking Permits* (Audit No. MD09-076A, issued February 5, 2010).

DOT's main function is to provide safe, efficient, and environmentally responsible movement of pedestrians, goods, and vehicular traffic on the streets, highways, bridges, and waterways of the City's transportation network. One of DOT's functions is the issuance of parking permits, which is performed by its Authorized Parking and Permits (AP&P) Division. The AP&P Division issues various types of parking permits, including parking permits for people with disabilities. DOT's Parking Permits for People with Disabilities (PPPD) unit, under the AP&P Division, is responsible for issuing parking permits for people with disabilities, including City disability parking permits.

A City disability parking permit allows individuals to park at most curbsides on City-owned streets, to park at meters without using an authorized payment method, and to park in areas where regular parking is normally prohibited. To qualify for a City disability parking permit, individuals must submit an application to DOT, along with a certification by a personal physician, indicating a permanent disability that severely affects their ability to walk and requires the use of a private vehicle for transportation, which must also be certified by a New York City Health and Hospitals Corporation physician or other Department of Health and Mental Hygiene (DOHMH)-designated physician.

Results

Of the 12 key recommendations made in the previous audit, the follow-up audit found that DOT implemented eight, partially implemented one, and did not implement one. For the remaining two, the current status of one recommendation could not be determined and one recommendation was no longer applicable.

The follow-up audit disclosed that DOT has improved its controls over the issuance of City disability parking permits. However, the audit determined that DOT still does not conduct periodic physical inventory counts of its disability parking permit seals inventory stored at AP&P to ensure that its inventory records are accurate. In addition, the PPPD unit does not reconcile the number of seals given to its staff to finalize the disability parking permits with the actual number of permits finalized and mailed. Because there are no independent verifications that the number of seals distributed to the staff are all used to process permits, DOT has limited assurance that all seals are appropriately accounted for.

To address the issues that still exist, the audit recommended that DOT:

- Conduct periodic physical inventory counts of the seals inventory stored at AP&P to ensure that its inventory records are accurate. If discrepancies are identified between the physical inventory counts and the inventory records, they should be investigated and the results of the investigation documented.
- Conduct periodic reconciliations of the seals distributed to staff each day with the printed permits that are mailed to ensure that all seals are accounted for.

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

Audit Follow-up

DOT reported that both audit recommendations are being implemented.

DEPARTMENT OF TRANSPORTATION

Audit Report on the Department of Transportation's Controls over Payments to Consultants

Audit #MD12-121A

Comptroller's Audit Library #8260

Issued: June 4, 2013

Monetary Effect: None

Introduction

The audit determined whether the Department of Transportation (DOT) had reasonable controls in place to ensure that payments for consultants' time were adequately supported.

In Fiscal Years 2010 and 2011, DOT registered with the New York City Comptroller's Office 26 consultant contracts totaling \$105,208,529. DOT made 80 payments totaling \$7,503,562 on eight of the 26 registered contracts during the period of July 1, 2009, through June 30, 2011.

Results

The audit found that DOT had reasonable controls in place to ensure that payments for consultants' time were adequately supported with the exception regarding payments made to one of the sampled consultants. The audit determined that more controls should be implemented to provide additional assurance that the hours billed by consultants (specifically those working in the City and surrounding areas) were the actual hours worked. In addition, the audit identified discrepancies between the in and out times on consultant timesheets and E-ZPass statements for one sampled contract.

To address the issues, the audit made six recommendations, including that DOT should:

- Ensure that consultants submit all supporting documentation required by their contracts, including daily field inspection reports and request copies of daily logs and daily trip logs to substantiate the hours worked and billed.
- Review consultant contracts where E-ZPass charges are reimbursed to determine the toll crossing times for days worked and to ensure that E-ZPass charges and work hours are not billed for days or hours not worked by the consultant.
- Compare the timesheets of consultant EnviroMed and E-ZPass statements cited in the report and determine whether money should be recouped.

DOT officials generally agreed with the audit recommendations, but took issue with three of them pertaining to reviewing E-ZPass usage to help ensure that contractor billings are accurate. Unfortunately, some of the statements made by DOT in its response are contradictory and misleading. In some cases, DOT contradicts positions it submitted previously to the audit team or that are within its own response. Consequently, there were no changes made to the audit findings.

Audit Follow-up

DOT reported that four recommendations are being implemented. It continues to disagree with the remaining two recommendations concerning E-ZPass statements and timesheets for consultants.

SECTION II
NON-GOVERNMENT AUDITS

CLAIMS

During Fiscal Year 2013, reports were issued on claims filed against the City. The analyses accepted amount for those claims totaled \$561,532. This resulted in a potential cost avoidance of \$15,695,223 as shown below:

Total Claim Amount	\$16,256,755
Less: Analyses Accepted Amount	\$ 561,532
Potential Cost Avoidance	\$15,695,223*

*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 as they are concluded via settlement or lawsuits, the actual figures will be different because of other factors that need to be considered at other steps of the claims process.

A list of the four claims follows.

REPORT NUMBER	CLAIMANT	DATE ISSUED	CLAIM AMOUNT	ANALYSES ACCEPTED AMOUNT	DISPOSITION SETTLEMENT AMOUNT
2011LW014118	Docudata, Software Corp., Inc.	8/21/12	*	*	*
SR13-092S	Oracle America, Inc.	3/5/13	*	*	*
SR12-113S	Padilla Construction Service, Inc.	4/10/13	*	*	*
SR13-114S	James Esber and Jane Fine	6/27/13	*	*	*
	FISCAL YEAR 2013 TOTALS		\$16,256,755	\$561,532	\$15,695,223

FRANCHISE, CONCESSION, AND LEASE AUDITS

Franchise, concession, and lease agreements between various City agencies and private organizations result in revenues to the City, based on formulas defined in the agreements. City agencies that enter into such agreements include the Department of Citywide Administrative Services (DCAS), the Economic Development Corporation (EDC), the Department of Parks and Recreation (DPR), and the Department of Transportation (DOT). Our audits evaluate the payments made by such entities as sports franchises and hotels. As shown below, Fiscal Year 2013 audits resulted in collecting actual revenues totaling \$363,521 and potential revenues totaling \$7,065,336. Additional revenue can be collected if all audit recommendations are followed.

<u>Audit Number</u>	<u>Audit Library No.</u>	<u>Agency/Title</u>	<u>Date Issued</u>	<u>Actual Revenue To Date</u>	<u>Remaining Potential Revenue</u>
FK12-065A	8232	DCAS – Compliance of the Marriott Marquis with Its Lease Agreement	2/11/13	0	\$3,643,468
FN12-068A	8213	DCAS – Carnegie Hall Corporation’s Compliance with Its Lease Agreement	11/15/12	\$363,521	\$2,100,000
FK12-069A	8250	EDC – Compliance of South Street Seaport Associates with Its Lease Agreements	4/30/13	0	\$1,321,868
FM12-111A	8218	DPR – Letter Report on World Ice Arena, LLC’s Compliance with Its License Agreement	11/30/12	0	0
FM12-123AL	8215	DPR – Letter Report on the Compliance of Teck Gourmet Five, LLC with Its Sublicense Agreement to Operate Douglaston Manor	11/19/2012	0	0
MJ11-121A	8198	DOT – Cleaning and Maintenance of Bus Stop Shelters by Cemusa NY, LLC	7/10/12	0	0
	TOTAL			\$363,521	\$7,065,336

DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES

Audit Report on the Compliance of the Marriott Marquis with Its City Lease Agreement

Audit #FK12-065A

Comptroller's Library #8232

Issued: February 11, 2013

Monetary effect: Potential Revenue: \$3,643,468

Introduction

This audit determined whether the Marriott Marquis: accurately reported gross operating revenue and calculated payments due to the City; submitted payments within specified timeframes; and complied with other significant lease terms, such as maintaining required financial records and insurance and paying taxes and utilities.

On July 2, 1982, Times Square Hotel, Inc., a wholly-owned subsidiary of the Empire State Development Corporation (ESDC), and the Times Square Marquis Hotel, L.P. (the Marriott Marquis) entered a 75-year lease for the premises located at 1535 Broadway between 45th and 46th Streets in Manhattan. Simultaneously, ESDC, the Marriott Marquis, and the City entered a three-party agreement naming the City as the third-party beneficiary to this lease. These agreements provided for the Marriott Marquis to develop a first-class hotel on the land and pay the City rent for each year of the 75-year lease term—a portion of which was payable within 120 days after the current lease year, and the balance of which was payable with 10 percent simple interest per annum upon sale or lease expiration, i.e., July 1, 2057. Since rental payments were based, in part, on revenue, the Marriott Marquis was required to submit certified financial statements and maintain “full and accurate books of accounts and records” for at least six years. These agreements also provided that the Marriott Marquis could purchase the property for an amount equal to the fair market value of the land upon lease expiration.

In 1998, the Marriott Marquis proposed and, upon the New York City Economic Development Corporation's (EDC) recommendation, the City agreed to amend the lease rent, interest, purchase, term, and other provisions.

As the third-party beneficiary of Marriott Marquis payments, the Department of Citywide Administrative Services (DCAS) was responsible for monitoring the Marriott Marquis to ensure that it complied with financial reporting, record-keeping, and other significant lease terms, and remitted all money due the City. For the lease years ending December 31, 2006, and 2007, the Marriott Marquis reported revenues of \$309.5 and \$343.4 million and paid the City \$15.5 and \$17.2 million, respectively. For the lease years ending December 31, 2008, 2009, and 2010, the Marriott Marquis made real estate tax-based payments of \$17.9, \$21, and \$20.4 million, respectively.

The audit covered the period October 1, 2006, through December 31, 2010.

Results

The Marriott Marquis owes the City \$3.6 million in interest. Under the terms of the amended lease, the Marriott Marquis was required to pay the City 5.04 percent interest, compounded semi-annually, on Accrued Unpaid Rent. On January 29, 1999, the Marriott Marquis made a lump-sum payment of \$53.4 million to EDC composed of loan, rent, and Accrued Unpaid Rent payments. However, the Marriott Marquis did not remit to the City the associated Accrued Unpaid Rent interest of nearly \$1.9 million. Consequently, the Marriott Marquis owes the City the outstanding \$1.9 million of interest, which, compounded semi-annually, totals \$3.6 million.

Additionally, the Marriott Marquis failed to keep detailed financial records to enable the City to confirm reported revenue and ensure that the City received all money due it. Two previous audits also cited the Marriott Marquis for this issue. Consequently, for more than 20 years (1986 through 2007), the Marriott Marquis rendered the City unable to verify the accuracy of the reported revenues and revenue-based payments. This occurred, in part, because DCAS did not adequately monitor the Marriott Marquis to ensure compliance and accurate financial reporting.

This review also found that EDC advised the City to execute a lease amendment that was not in the City's best interests, in large part because it provided for vastly reduced purchase, rent, and interest payments. Based on available documentation, EDC did not perform appropriate quantitative analyses comparing purchase, rent, and interest revenue under the original and amended lease terms or adequately disclose to the City all relevant issues. Most notably, EDC did not disclose to the City that, at the time of the amendment, it would lose land sale revenue of \$75 million as well as significant rent and interest revenue.

To address these issues, the audit makes seven recommendations—one to the Marriott Marquis, three to DCAS, and three to EDC.

The Marriott Marquis should immediately remit \$3,643,468 to the City—the initial interest payment of \$1,867,773 along with additional accumulated interest of \$1,775,695 as of July 1, 2012.

With regard to the Marriott Marquis lease agreement, DCAS should ensure that the Marriott Marquis remits \$3,643,468 to the City. With regard to its lessees that pay revenue-based rents, DCAS should:

- Conduct routine audits or other reviews to ensure that lessees retain required financial records, accurately report revenues, and pay the City all money due it.
- Take appropriate enforcement action and follow up in a timely manner on lessees' non-compliance.

When evaluating lease terms, EDC should:

- Exercise due care and diligence to determine and document whether lease terms are fair, equitable, and in the City's best interests. This should include, but not be limited to, conducting and retaining comparative quantitative analyses of the financial-related terms.
- Document the advantages and disadvantages of proposed terms.
- Publicly disclose and discuss significant proposed lease amendments prior to approval and execution.

The Marriott Marquis, DCAS, and EDC generally disagreed with most aspects of the report's findings and recommendations.

Audit Follow-up

DCAS reported that it did not implement the recommendation to ensure that the Marriott Marquis remits \$3,643,468 to the City because DCAS could "not rationalize that these are monies due." With regard to the remaining two recommendations directed to DCAS lessees that pay revenue-based rents, DCAS seemingly implemented the recommendation to conduct routine audits or other reviews and did not address the implementation status of the recommendation to take appropriate enforcement action and follow up in a timely manner on lessees' non-compliance. In its response, DCAS misconstrued these two recommendations to pertain only to the Marriott and, therefore, deemed them not applicable because "Marriott rent is

currently based upon the Real Estate Tax, rather than its revenues.” However, DCAS indicated that it “currently utilizes a risk-based approach to target audits of individual leases.”

EDC reported that it implemented the three recommendations addressed to it.

The Marriott Marquis did not provide follow-up information.

DEPARTMENT OF CITYWIDE ADMINISTRATION SERVICES

Carnegie Hall Corporation’s Compliance with Its City Lease Agreement, July 1, 2009, to June 30, 2010

Audit #FN12-068A

Comptroller’s Audit Library #8213

Issued: November 15, 2012

Monetary Effect: Actual Revenue: \$ 363,521
 Potential Revenue: \$2,100,000

Introduction

This audit determined whether the Corporation accurately calculated and paid the City Base Rent and Percentage Rent, maintained adequate internal controls over the recording and reporting of its rental revenue, and complied with certain other requirements of its lease agreement.

On June 30, 1960, the City and the Carnegie Hall Corporation (the Corporation) entered into a Master Lease agreement covering the Carnegie Hall building and the adjacent land located on Seventh Avenue at 57th Street in Manhattan. In 1987, the City allowed the Corporation to develop the Carnegie Hall Tower on the adjacent land (the Tower Property). Consequently, the City and the Corporation entered into a “restated” Master Lease, which covers the Carnegie Hall building and the Tower Property. The Corporation then subleased the Tower Property to Carnegie Hall Tower Limited Partnership—now known as Carnegie Hall Tower II Limited Liability Company (CHTL). Under the terms of the Sublease, CHTL must pay the Corporation a Base Rent equal to the greater of (a) full real estate taxes for the Carnegie Hall Tower or (b) \$3,010,350, and a Percentage Rent, which is 4 percent of Gross Commercial Rents less certain allowable Actual Expenses exclusions. In turn, the Corporation must pay the City 70 percent of the total rents (i.e., Base and Percentage Rents) received from CHTL. The Department of Citywide Administrative Services (DCAS) is responsible for monitoring the Master Lease and ensuring that the Corporation complies with its contractual obligations with the City. Results

The audit found that the Corporation did not report \$8,919,430 in Gross Commercial Rents of which Percentage Rent and interest totaling \$363,521 for Fiscal Year 2010 is due the City. Specifically, the Corporation allowed the Subtenant, CHTL, to deduct a total of \$8,695,344 in expenses from its Gross Commercial Rents in excess of the amount previously approved by the City and did not report rent receipts totaling \$224,086. The audit also found that the Corporation did not ensure the Subtenant submitted the quarterly Percentage Rent statements for True-Up Payments.

Further, the review found that DCAS did not adequately administer the lease to ensure that all the deductions from Gross Commercial Rents were properly reviewed and authorized by the City and that all revenue was properly collected and reported to the City in a timely manner.

To address these issues, the audit recommends that the Corporation should:

- Pay the City additional 2009 Percentage Rent and interest of \$363,521 resulting from improperly deducted Actual Expenses and unreported Gross Commercial Rents.
- Ensure it submits all proposed Sublease modifications or clarifications to the City for its review and approval prior to implementation.
- Ensure CHTL accurately reports its Percentage Rent and submits detailed quarterly Percentage Rent statements.

To address these issues, the audit recommends that DCAS should:

- Ensure that the Corporation pays the Percentage Rent and interest of \$363,521 and implements all the other audit recommendations.
- Conduct a comprehensive review of claimed Actual Expenses for periods prior to our audit scope and quantify underpaid Percentage Rents and assess interest accordingly.
- Ensure that the Corporation submits all proposed Lease modifications or clarifications to the City for its review and approval prior to implementation and exercise due care and diligence to determine and document whether Lease modifications or clarifications are fair, equitable, and in the City's best interests.
- Periodically review the Corporation's financial submissions and conduct reviews or audits to ensure that the Corporation accurately reports revenues and pays the City all money due it.
- Properly bill the Corporation Base and Percentage Rents and collect any amounts due.

While the Corporation disagreed that it should pay the City \$363,521, the Corporation did not offer a basis for its position. Moreover, the Corporation tacitly acknowledged that the City was short-changed by stating that it "will work with the New York City Department of Citywide Administrative Services (DCAS) to achieve a fair and equitable resolution of this matter."

In its response, DCAS maintained that these changes "would most likely have been approved by DCAS had they been presented." However, DCAS also tacitly acknowledged that the Corporation and CHTL bypassed the required approval process and, by doing so, short-changed the City. Further, it stated, "DCAS will insist that any further changes that affect revenue calculations be subject to DCAS approval in advance in accordance with the lease. Indeed, we will also work with Carnegie Hall to achieve an equitable outcome for the technical lease violation."

Audit Follow-up

The Carnegie Hall Corporation reported that it is currently in the process of finalizing an agreement with the City and its subtenant, Carnegie Hall, to address matters raised in the audit.

DCAS reported that two recommendations have been implemented, and one recommendation is in the process of being implemented. With regard to the payment of Percentage Rent, DCAS will pursue a fair and equitable resolution with Carnegie Hall that will result in an objective/impartial calculation of rent due the City.

ECONOMIC DEVELOPMENT CORPORATION

Audit Report on the Compliance of South Street Seaport Associates with Its City Lease Agreements

Audit #FK12-069A

Comptroller's Library #8250

Issued: April 30, 2013

Monetary effect: Potential Revenue: \$1,321,868

Introduction

This audit determined whether South Street Seaport Associates (Seaport Associates) accurately reported gross income and properly calculated rents, and complied with other major requirements of its lease agreements and whether the New York City Economic Development Corporation (EDC) adequately monitored Seaport Associates to ensure its compliance with lease agreement terms.

As the City's primary agent for economic development, the EDC is responsible for the management of select industrial and commercial spaces throughout the five boroughs as well as several retail and wholesale food markets. As part of its management responsibilities, EDC leases space to and collects rent from tenants occupying its industrial, commercial, and market spaces. These market spaces include the historic South Street Seaport located in lower Manhattan along the East River.

The City (as successor-in-interest to the South Street Seaport Corporation) and Seaport Associates, a for-profit limited partnership, are parties to two leases for spaces within the South Street Seaport. Under the terms of these agreements and subsequent amendments, Seaport Associates was to: develop, maintain, and operate designated spaces within the Seaport Historic District as first-class business offices; maintain specified types and amounts of insurance coverage; and pay taxes and utilities charges. In exchange for the use of these spaces, Seaport Associates agreed to pay the City a Base Rent that is the greater of a Minimum Base Rent which is based on Gross Leasable Area square footage or an Alternative Base Rent of 20 percent of Gross Income. Accordingly, Seaport Associates was required to: submit to the City certified quarterly and annual statements setting forth all rents and other income received; keep complete and accurate books of account and records to enable the City to confirm reported Gross Income; and retain such books and records for at least six years and make them available for inspection and audit.

For the year ending June 30, 2011, Seaport Associates reported income of \$991,131 for which it paid Alternative Base Rent of \$198,226.

The scope of this audit was Fiscal Year 2011.

Results

Seaport Associates improperly calculated rent payments and did not report all Subtenant rental income or other income and, therefore, owes the City at least \$1,294,836— \$787,664 for unpaid rent and \$507,172 for accrued interest. As noted, Seaport Associates was required to pay the City the greater of a Minimum Base Rent, which is based on Gross Leasable Area square footage, or an Alternative Base Rent of 20 percent of Gross Income. However, Seaport Associates improperly calculated Alternative Base Rent as 20 percent of *net income, i.e., Gross Income after deduction therefrom of all Operating Expenses*, which include maintenance, operations, or Imposition expenses that were not reimbursed by Subtenants, and legal,

accounting, and management expenses. Seaport Associates also did not report all Subtenant rental income or other income of at least \$24,490.

These issues occurred, in part, because EDC did not adequately monitor Seaport Associates to ensure its compliance with lease terms. As the agency responsible for administering the leases, EDC should have ensured that Seaport Associates complied with significant lease terms. EDC also improperly adjusted Seaport Associates' interest and rent charges totaling \$27,032.

Finally, an EDC Board Member, who is a former Seaport Associates principal and lease signatory, utilized Seaport Associates' office space rent-free in violation of EDC's conflict of interest code. Further, the EDC Board Member did not disclose his relationship with Seaport Associates or his use of office space on his certified 2010 and 2011 Disclosure Statements.

To address these issues, the audit makes 14 recommendations—three to Seaport Associates and 11 to EDC.

Seaport Associates should:

- Immediately remit to EDC unpaid rent and interest charges totaling \$1,294,836 related to Subtenant rental income;
- Immediately pay EDC reinstated interest and rent charges totaling \$27,032; and
- Report all Subtenant rental income or other income from all Tenant or Affiliate of Tenant businesses and/or transactions conducted in, on, or from the City Lease Premises and pay additional rent and unpaid interest due the City.

With regard to Seaport Associates, EDC should:

- Send written notice to Seaport Associates advising it that unpaid rent and interest charges totaling \$1,294,836 are to be paid in full immediately and that a failure to pay these charges in full within 15 days of written notice constitutes an Event of Default under Article 24 of the leases;
- Identify all Tenant or Affiliate of Tenant businesses and/or transactions conducted in, on, or from the City Lease Premises; quantify any and all revenues received by Tenant or any Affiliate from such businesses and/or transactions net of related direct costs and expenses payable; and calculate additional rent and unpaid interest due the City;
- Reinstate interest and rent charges totaling \$27,032; and
- Send written notice to Seaport Associates advising it that interest and rent charges totaling \$27,032 are to be paid in full immediately and that a failure to pay these charges in full within 15 days of written notice constitutes an Event of Default under Article 24 of the leases.

With regard to its Board Member, EDC should:

- Immediately direct its Board Member to cease using space in EDC-leased premises regardless of whether the Board Member pays rent in consideration for such space;
- Direct its Board Member to make all facts known to EDC's General Counsel regarding his relationship with Seaport Associates; and
- Direct its Board Member to detail any and all activities that would be considered in violation of the Code of Ethics for Directors of EDC on his certified Disclosure Statement for Directors.

In its formal response, Seaport Associates rejected the report's findings and recommendations in their entirety on the bases that they are politically motivated and inconsistent with the plain language of the lease, the parties' long-standing prior course of dealing, and estoppel certificates that the City executed in 2010 and 2011. Additionally, Seaport Associates asserted that the City has no legal claim to any unpaid rent from 2005 because the relevant statute of limitations has expired.

EDC officials agreed or partially agreed with all of the report's findings and recommendations and detailed steps it took or will take to implement recommendations. Specifically, EDC: executed a Fifteen (15) Day Notice to Tenant and Demand for Payment of Rent of \$770,478 for the period March 31, 2007, through September 30, 2012; engaged an independent accounting firm to perform a compliance review of Seaport Associates' leases for the period January 1, 2007, through December 31, 2012; and spoke to its Board Member who, in turn, amended his 2011 Disclosure Report and will no longer use space in Seaport Associates' lease premises.

Audit Follow-up

EDC reported that it implemented five recommendations and is in the process of implementing four recommendations. EDC indicated that it will not implement the remaining two recommendations to reinstate and send written notice to Seaport Associates that payment is due for interest and rent charges of \$27,032 because EDC deemed these charges uncollectible.

Seaport Associates did not provide follow-up information.

DEPARTMENT OF PARKS AND RECREATION

Letter Report on World Ice Arena, LLC's Compliance with Its License Agreement

Audit #FM12-111AL

Comptroller's Audit Library #8218

Issued: November 30, 2012

Monetary Effect: None

Introduction

On August 6, 2008, the Departments of Parks and Recreation (DPR) entered into a 20-year license agreement with World Ice Arena, LLC (World Ice) to operate an ice-skating facility located in Flushing Meadows Corona Park in Queens, New York. World Ice is required to operate and manage an indoor skating rink, skate rental, pro shop, and snack bar facility.

This audit determined whether World Ice accurately reported its gross receipts, properly calculated the license fees due, paid its license fees on time, and complied with certain other major non-revenue terms of the license agreement (i.e., capital improvements, insurance coverage, security deposit, and utility charges). The audit covered operating year 2011 (February 1, 2011, to February 29, 2012). For operating year 2011, World Ice reported \$2,750,244 in gross receipts and paid \$337,306 in license fees to the City.

Results

World Ice generally maintained adequate controls over the recording and reporting of its gross revenues, properly calculated license fees due, and paid those fees in a timely manner to the City. World Ice also maintained the required liability insurance that named the City as an additional insured party, maintained the required security deposit, and paid utility charges. Furthermore, World Ice has implemented seven of eight recommendations made in an audit conducted by DPR. However, World Ice does not use pre-numbered contracts for group events—a recommendation by DPR. Group Reservation Forms are issued for group events consisting of 15 or more individuals and include the option of renting a locker, ordering food, and obtaining group lessons. During the audit sample period from December 1, 2011, through February 29, 2012, World Ice issued sequentially numbered birthday party contracts, but still used the unnumbered Group Reservation Forms.

In addition, World Ice, despite receiving from DPR a Certificate of Completion for its required capital improvements, did not purchase two new ice resurfacing machines (combined value in excess of \$250,000) as required by its license agreement. In 2009, World Ice informed DPR that refurbished ice resurfacing machines needed to be purchased in order to open the ice rink in a timely manner. However, World Ice's agreement with DPR specifically required two new machines. In a letter dated July 29, 2009, DPR approved the use of the refurbished machines, but stipulated that World Ice was still required to purchase two new machines during the term of the agreement.

Although DPR did not make a recommendation regarding the refurbished ice resurfacing machines, the issue was again addressed in the findings section of its audit report. During the fieldwork stage of this audit, World Ice provided a quote and a canceled check supporting a deposit for one new ice resurfacing machine. According to World Ice's project manager, the new machine should be delivered by the end of 2012.

The report recommended that World Ice:

- Use press-printed pre-numbered forms for group events.

- Follow through with the purchase of two new ice resurfacing machines.

In their responses, DPR and World Ice Arena 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

World Ice and DPR reported that one recommendation has been implemented and the remaining recommendation has been partially implemented. World Ice uses press-printed pre-numbered forms for group events and has purchased one new ice resurfacing machine.

DEPARTMENT OF PARKS AND RECREATION

Letter Report on the Compliance of Teck Gourmet Five, LLC with Its Sublicense Agreement to Operate Douglaston Manor

Audit #FM12-123AL

Comptroller's Audit Library #8215

Issued: November 19, 2012

Monetary Effect: None

Introduction

On May 19, 2004, the Department of Parks and Recreation (DPR) entered into a 20-year license agreement with Douglaston Golf to renovate, operate, and maintain an 18-hole golf course, clubhouse, and catering/restaurant facility at Douglaston Golf Course in Queens, New York. On June 2, 2005, Douglaston Golf entered into a sub-license agreement with Teck to renovate, operate, and maintain the catering/restaurant facility known as Douglaston Manor.

The audit's objective was to determine whether Teck properly calculated its gross receipts and license fees due to the City and paid license fees on time, and complied with certain other major requirements of its sub-license agreement (i.e., Capital Improvement, insurance coverage, security deposit, and utility charges).

Results

The audit found that while Teck is operating a catering facility, it is not operating a restaurant as required by the agreement. In addition, Teck's internal controls over the recording of special event revenue need to be enhanced. Despite these weaknesses, it is unlikely that additional fees would be due the City because Teck's revenue is far below the threshold that would require it to pay the percentage-based license fees to the City.

The report recommends that DPR and Douglaston Golf require Teck to:

- Operate a restaurant as required by its contract.
- Strengthen its internal controls over the financial operations by purchasing press-printed pre-numbered guest checks, issue these guest checks in sequential order, and ensure that all special event guest check revenue is accounted for and accurately reported in its books and records.

Written responses were received from DPR, Teck, and Douglaston Golf. All three responses indicated agreement with the audit's findings and recommendations.

Audit Follow-up

Teck reported that it has been using sequentially numbered checks for all of the special events and is waiting for DPR's direction in order to operate the restaurant. DPR reported that it is in the process of finalizing the amendment.

DEPARTMENT OF TRANSPORTATION

Audit Report on the Cleaning and Maintenance of Bus Stop Shelters by Cemusa NY, LLC in Compliance with Its Franchise Agreement with the Department of Transportation

Audit #MJ11-121A

Comptroller's Audit Library #8198

Issued: July 10, 2012

Monetary Effect: None

Introduction

This audit assessed the adequacy of Cemusa NY, LLC's (Cemusa) efforts to ensure that its subcontractors maintain bus stop shelters in compliance with its franchise agreement with the Department of Transportation (DOT).

DOT is responsible for bridge and roadway conditions, parking and traffic operations, sidewalks, and other matters that affect the safety of drivers, cyclists, and pedestrians throughout the City. In May 2006, DOT entered into a 20-year franchise agreement with Cemusa to design, construct, install, and maintain coordinated street furniture throughout the City, including up to 3,300 bus stop shelters, 330 newsstands, automatic public toilets, trash receptacles, newsracks, and other public service structures. In consideration for being granted the exclusive right to sell advertising space on panels affixed to the street furniture, Cemusa has agreed to pay the City an estimated \$1.3 billion in advertising revenue and alternative compensation over the 20-year term of the agreement.

Under the franchise agreement, Cemusa is required, at its own expense, to clean, inspect, and maintain the structures in good repair. With DOT's approval, Cemusa outsourced its inspection, cleaning, and maintenance responsibilities to subcontractors. DynaServ Industries, Inc. (DynaServ) is responsible for cleaning, inspecting, and posting advertisements, and Pipeline Construction, LLC (Pipeline) was responsible for repairing and replacing damaged parts and performing electrical repairs and annual electrical inspections. This audit addressed Cemusa's upkeep of the bus stop shelters, the most common type and widely used street furniture across the City.

Results

The audit concluded that Cemusa needs to improve its oversight efforts to ensure that its subcontractors maintain bus stop shelters in compliance with its franchise agreement with DOT. Cemusa has certain mechanisms in place to assess its subcontractors' performance regarding the upkeep of the bus stop shelters. However, these mechanisms do not provide sufficient assurance that the subcontractors' performance ensures Cemusa's compliance with the provisions of its franchise agreement regarding the upkeep of the bus stop shelters.

For the audit test period, Cemusa's subcontractor, DynaServ, did not service (inspect and clean) the bus stop shelters at the level required. DynaServ's productivity expectations (the number of shelters that can be cleaned by each crew in one shift) are overly optimistic, and DynaServ has not allocated sufficient resources to ensure that each shelter will be cleaned twice each week on non-consecutive days as required. The audit also showed that Cemusa's other subcontractor, Pipeline, needed to improve its performance in regard to responding promptly and repairing reported defective conditions. Further, there was insufficient evidence that all electrical inspections were carried out as reported.

To address the above weaknesses, the audit made eight recommendations, including that Cemusa should:

- Work closely with its current subcontractor, DynaServ, to establish more realistic productivity assumptions and goals to ensure that all bus stop shelters are serviced two times each week on non-consecutive days as required by its franchise agreement.
- Ensure that DynaServ allocates sufficient resources to provide assurance that all required cleanings are performed. This should include sufficient staffing needed to cover holiday weeks, vacation schedules, and other scheduled days off.
- Develop a more formal and proactive strategy along with associated procedures to provide for stronger oversight and continuous monitoring of its subcontractors to ensure that they are meeting their contractual obligations to support and ensure that Cemusa is compliant with its obligations under the franchise agreement.

Cemusa officials agreed with five of the audit's recommendations and disagreed with three others that address the need to establish more realistic productivity goals; ensure that its subcontractor allocates sufficient resources to make certain that all bus shelters are cleaned as required; and establish benchmarks to assess its subcontractors' performance on a monthly basis.

Audit Follow-up

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

WELFARE FUNDS

Analysis of the Financial and Operating Practices of Union-Administered Benefit Funds with Fiscal Years Ending in Calendar Year 2010

Audit #FM12-108S

Comptroller's Audit Library #8228

Issued: January 18, 2013

Monetary Effect: None

Introduction

Union-administered benefit funds were established under collective bargaining agreements between the unions and the City of New York. They provide City employees, retirees, and dependents with a variety of supplemental health benefits not provided under City-administered health insurance plans. Certain other benefits are also provided at the discretion of the individual funds (e.g., annuity accounts, life insurance, disability, and legal benefits). This report contains a comparative analysis of 91 welfare, retiree, and annuity funds whose fiscal years ended in Calendar Year 2010. These funds received approximately \$1.18 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.

Report Follow-Up

Not applicable

**SECTION III
GOVERNMENT NON-GAGAS
LETTER REPORTS**

DEPARTMENT OF CONSUMER AFFAIRS

Audit of the Department of Consumer Affairs Contract with Gartner, Inc. Relating to the On-Line Services Enhancement Project

Audit #ME12-095A

Comptroller's Audit Library #8230

Issued: February 5, 2013

Monetary Effect: None

Introduction

The audit endeavored to determine the adequacy of the Department of Consumer Affairs (DCA's) payment and contract management controls over its contract with Gartner, Inc. (Gartner). DCA's contract with Gartner was for the provision of project management and quality assurance services for the On-Line Services Enhancement Project (OSEP). The goal of OSEP is to create a system to allow businesses to apply for, renew, and pay for their licenses online. The initial task order for Gartner's work covered a two-year period beginning on July 1, 2007, and was valued at over \$2.7 million. As of December 3, 2012, DCA had issued six task orders (including the initial task order) for Gartner's work and had expended a total of over \$10.4 million, almost four times the amount of the original task order.

Results

This audit was terminated in a letter sent to DCA as a result of the agency's obstruction of the audit process, which prevented auditors from completing their review. Despite the obstruction noted above, auditors identified a number of potential findings concerning DCA's monitoring of the Gartner OSEP contract. Specifically, auditors found: DCA's CIO appeared to have too much authority within the agency concerning the OSEP project; DCA paid over \$113,000 for certain services, such as CIO training and professional networking services, that had no discernible connection to the OSEP project; DCA failed to take more than \$65,000 in discounts it was entitled to under the contract; and DCA paid over \$326,000 for work that Gartner purportedly performed for the Department of Buildings (DOB) during Calendar Year 2011 even though DOB was reportedly not yet involved in the OSEP project during that time.

The potential findings noted in the letter represent concerns about DCA's oversight of the Gartner contract that auditors were able to identify despite DCA's extensive obstruction of the audit. Had auditors not encountered such obstruction and been able to complete the audit, it is possible that additional concerns might have been identified. It also is possible that DCA might have been able to explain or partly explain some of the issues highlighted.

DEPARTMENT OF EDUCATION

Letter Report on the Department of Education's Efforts to Investigate and Address Reports of Bed Bugs in City Schools

Report #MJ13-100AL

Comptroller's Library #8266

Issued: June 19, 2013

Monetary Effect: N/A

Introduction

This audit determined the adequacy of the Department of Education's (DOE) efforts to investigate and address reports of bed bugs in New York City schools.

DOE is the largest public school system in the United States. It provides primary and secondary education for more than one million students from pre-kindergarten through grade 12.

As of July 1, 2011, New York State Education Law § 920 requires public school principals to provide parents with information about any bed bug infestations, including information on how to prevent the spread of the infestation. The law requires that a school infestation be addressed in the most effective and safe manner.

DOE's Pest Management Unit (Pest Management) is charged with identifying pests, providing thorough inspections of schools, and having licensed pest control specialists treat rooms as appropriate. Pest Management has issued a "Bed Bug Information Kit for Schools" that details the protocol that schools should follow if a pest, suspected to be a bed bug, is found. The information kit details instructions for the identification, inspection, and treatment for bed bugs by Pest Management. It also provides tips for minimizing the risk of bed bugs in schools.

Results

The audit was closed at the end of the audit survey because nothing of a reportable nature came to the auditors' attention that would warrant continuation of the audit. A letter report was issued to DOE to communicate one minor weakness found regarding the tracking of the submission of reports and specimens by the schools. The report recommends that Pest Management implement a sequential numbering system to identify each submission and track it in the electronic submissions log.

Follow-up

DOE reported that the recommendation has been implemented.

MULTI-AGENCY

Letter Report on Accuracy of Unused Accrued Leave Payouts when New York City Managerial Employees Separate from Service

Report #7R13-057SL

Comptroller's Library #8229

Issued: July 16, 2012

Monetary Effect: None

This letter report was issued to advise the Department of Citywide Administrative Services (DCAS) of internal control weaknesses regarding the above topic. According to time and leave regulations established by DCAS, management employees are entitled to payment for unused accrued leave when they separate from City service or when they transfer to a non-Mayoral City agency that does not accept all of their total leave balances. The Management Lump Sum (MLS) unit in the Comptroller's Audit Bureau reviews agency submissions for these requests for payment of unused accrued leave in accordance with Chapter 5 §93 of the New York City Charter and Comptroller's Internal Control and Accountability Directive 14. In Fiscal Year 2011, these reviews have saved the City \$922,525. For Fiscal Year 2012, the reviews have saved the City \$755,844.

However, in conducting these reviews, common errors made by agency personnel were noted. These errors include:

- Errors made in converting work days to calendar days, including counting the wrong number of calendar days or using the incorrect date to begin the conversion process.
- Not adjusting payments for excess use of annual leave during the final 12 months of employment.
- Incorrect leave accrual and/or final leave balance.
- Errors in monetary calculations.

Based on these and other errors, auditors had recommended in June 2010 that DCAS develop a training course for City personnel involved in the processing and preparing of Managerial Leave Balance Payments. Although DCAS agreed with this recommendation, no such training was developed. The report is now repeating this recommendation because monetary errors continue to occur.

MULTI-AGENCY

Letter Report on Accuracy of Unused Accrued Leave Payouts when New York City Managerial Employees Separate from Service

Report #7R13-126S

Comptroller's Library #8271

Issued: June 26, 2013

Monetary Effect: None

This letter report was issued to advise the Department of Citywide Administrative Services (DCAS) of internal control weaknesses regarding the above topic. According to time and leave regulations established by DCAS, management employees are entitled to payment for unused accrued leave when they separate from City service or when they transfer to a non-Mayoral City agency that does not accept all of their total leave balances. The Management Lump Sum (MLS) unit in the Comptroller's Audit Bureau reviews agency submissions for these requests for payment of unused accrued leave in accordance with Chapter 5 §93 of the New York City Charter and Comptroller's Internal Control and Accountability Directive 14. In Fiscal Years 2013, 2012, and 2011, these reviews have saved the City \$606,258, \$755,844 and \$922,525 respectively.

However, in conducting these reviews, common errors made by agency personnel were noted. These errors include:

- Errors made in converting work days to calendar days including counting the wrong number of calendar days or using the incorrect date to begin the conversion process.
- Not adjusting payments for excess use of annual leave during the final 12 months of employment.
- Incorrect leave accrual and/or final leave balance.
- Errors in monetary calculations.

Based on these and other errors, auditors had recommended in June 2010 that DCAS develop a training course for City personnel involved in the processing and preparing of Managerial Leave Balance Payments. Although DCAS agreed with this recommendation, no such training was developed. The report is now repeating this recommendation because monetary errors continue to occur.

Recommendation Status By Audit

Agency	Audit Number	Total # of Recommendations	# of Recommendations Implemented/In Process	# of Recommendations Not Implemented*
Aging, Dept. for the (Non-Competitive & Limited Competition Contracts)	ME12-094A	3	3	
Brooklyn Public Library (Controls Over Internet Access)	7A13-073AL	2	2	
Buildings, Dept. of (Queens Quality of Life Unit Follow-up)	MJ12-102F	8	3	5
Buildings, Dept. of (Elevator Inspections Follow-up)	MJ12-128F	6	5	1
Business Integrity Commission Private Carting and Public Wholesale Markets Follow-up)	MD12-078F	12	7	5
City Clerk & Clerk of the Council (Inventory Practices - Major Office Equipment)	FM12-136A	4	4	
Citywide Administrative Services, Dept. (Marriott Marquis Hotel)	FK12-065A	7	4	3
Citywide Administrative Services, Dept. (Carnegie Hall Corporation)	FN12-068A	8	3	5
Collective Bargaining, Office of (Inventory of Computer Equipment)	ME12-119A	2	2	
Community Boards-Brooklyn (Inventory Practices - Major Office Equipment)	FM12-116A	6	6	
Community Boards-Queens (Inventory Practices - Major Office Equipment)	FM12-115A	6	6	
Correction, Board of (Drivers - City-owned or Personally-Owned Vehicles)	7R13-063AL	5	5	
Cultural Affairs, Dept. of (Carnegie Hall Corp.'s Special Program)	FN12-089A	5		5
Bronx District Attorney (Inventory of Computer Equipment)	MD13-076A	3	3	
Economic Development Corporation (South Street Seaport Associates)	FK12-069A	14	9	5
Education, Dept. of (NYC21C Project)	7A11-116	5	5	
Education, Dept. of (Assistive Technology Devices)	MG12-077AL	2	2	
Education, Dept. of (Individual Consultants Contracts)	MH11-060A	16	12	4

Recommendation Status By Audit

Agency	Audit Number	Total # of Recommendations	# of Recommendations Implemented/In Process	# of Recommendations Not Implemented*
Education, Dept. of (Children's First Network 106)	MD12-106A	13	9	4
Education, Dept. of (Student to Student Harassment, Intimidation and/or Bullying)	MJ12-073A	5	5	
Education, Dept. of (Children's First Network 406)	MG12-107A	3	2	1
Education, Dept. of (Bed Bugs)	MJ13-100AL	1	1	
Education, Dept. of (High School Application Process)	MH12-053A	9	9	
Environmental Protection, Dept. of (Bowery Bay Water Pollution Control Plant)	7E12-101A	4	3	1
Finance, Dept of (Real Property Income and Expense Statement Filing Process)	FM12-064AL	4	2	2
Finance, Dept of (Stipulated and Commercial Abatement Program)	FM11-110A	4	2	2
Finance, Dept of (Senior Citizen Rent Increase Follow-up)	MG12-118F	3	3	
Finance, Dept of (Commercial Rent Tax Data)	7A12-130A	4		4
Finance, Dept of (Commercial Revitalization Program)	FM13-086AL	3	2	1
Finance, Dept of (Outstanding Parking Fines - Regular Fleet Program)	FM13-081A	3	2	1
Fire Department (PURVIS Systems)	FM13-054A	5		5
Health & Mental Hygiene, Dept. of (Prison Health Services Contract)	FM13-055AL	3	3	
Health & Mental Hygiene, Dept. of (Early Intervention Contractors)	MJ12-090A	6	5	1
Homeless Services, Dept. of (Homebase Program)	MG12-125A	6	1	5
Housing Authority (NICE)	7A12-134	8	8	
Housing Preservation & Development (Oversight of Housing Lottery)	MG12-057A	7	6	1

Recommendation Status By Audit

Agency	Audit Number	Total # of Recommendations	# of Recommendations Implemented/In Process	# of Recommendations Not Implemented*
Housing Preservation & Development (Family Self-Sufficiency Escrow Account)	FM12-082A	4	4	
Housing Preservation & Development (Alternative Enforcement Program)	MD12-084A	2	2	
Housing Development Corp. (Mitchell Lama Repair Loan Program)	7E12-139A	6	5	1
Independent Budget Office (Response to Information Requests)	MJ12-117A	2		2
Information Technology & Telecommunication (Wireless Devices and Services)	FN12-061A	11	2	9
Multi-Agency DEP and EDC (Billing of Water and Sewer and Usage)	FM12-109A	3	2	1
NYC Public Library (Controls Over Internet Access)	7A13-072AL	2	2	
Parks & Recreation, Dept. of (World Ice)	FM12-111AL	2	1	1
Parks & Recreation, Dept. of (Oversight of Capital Projects)	7E12-067A	13	8	5
Parks & Recreation, Dept. of (Croton Water Filtration Plant)	7E12-140A	7	6	1
Parks & Recreation, Dept. of (Teck Courmet Five)	FM12-123AL	2	2	
Parks & Recreation, Dept. of (Maintenance and Repair of Brooklyn Playgrounds)	7R13-066A	10	5	5
Parks & Recreation, Dept. of (Maintenance and Repair of Staten Island Playgrounds)	7R13-067A	6	4	2
Parks & Recreation, Dept. of (Maintenance and Repair of Manhattan Playgrounds)	7R12-120A	9	5	4
Parks & Recreation, Dept. of (Maintenance and Repair of Bronx Playgrounds)	7R13-068A	9	5	4
Parks & Recreation, Dept. of (Maintenance and Repair of Queens Playgrounds)	7R12-142A	9	5	4
Public Administrator, Kings County (Financial and Operating Practices)	FK12-079A	18	18	
Queens Public Library (Controls Over Internet Access)	7A13-074AL	2	2	

Recommendation Status By Audit

Agency	Audit Number	Total # of Recommendations	# of Recommendations Implemented/In Process	# of Recommendations Not Implemented*
Sanitation, Dept. of (Construction Management Consultants)	7E12-112A	13	7	6
Sanitation, Dept. of (NOV)	MD12-124A	9	8	1
Small Business Services, Dept of (Minority & Women-Owned Business Enterprise)	MH12-100A	11	8	3
Small Business Services, Dept of (Emerging Business Enterprise Program)	MD13-077A	5	5	
Transportation, Dept of (Maintenance of Bus Stop Shelters by Cemusa, NY, LLC)	MJ11-121A	8	8	
Transportation, Dept of (Light Pole Banner Permit Program)	FN12-066A	7	4	3
Transportation, Dept of (Disability Parking Permits Follow-up)	MD12-103F	2	2	
Transportation, Dept of (Payments To Consultants)	MD12-121A	6	4	2
Total		383	268	115

*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 Not Implemented*
Aging, Dept. for the	3	3		0.00%
Brooklyn Public Library	2	2		0.00%
Buildings, Dept. of	14	8	6	42.86%
Business Integrity Commission	12	7	5	41.67%
Carnegie Hall Corporation	3		3	100.00%
Cemusa, NY	8	8		0.00%
City Clerk & Clerk of the Council	4	4		0.00%
Citywide Administrative Services, Dept.	9	4	5	55.56%
Collective Bargaining, Office of	2	2		0.00%
Community Boards-Brooklyn	6	6		0.00%
Community Boards-Queens	6	6		0.00%
Correction, Board of	5	5		0.00%
Cultural Affairs, Dept. of	4		4	100.00%
Bronx District Attorney	3	3		0.00%
Economic Development Corporation	16	13	3	18.75%
Education, Dept. of	54	45	9	16.67%
Environmental Protection, Dept. of	5	4	1	20.00%
Finance, Dept of	21	11	10	47.62%
Fire Department	5		5	100.00%
Health & Mental Hygiene, Dept. of	9	8	1	11.11%
Homeless Services, Dept. of	6	1	5	83.33%
Housing Authority	8	8		0.00%
Housing Preservation & Development	13	12	1	7.69%
Housing Development Corp.	6	5	1	16.67%
Independent Budget Office	2		2	100.00%
Information Technology & Telecommunication	11	2	9	81.82%

Recommendation Status By Agency

Agency	Total # of Recommendations	# of Recommendations Implemented/In Process	# of Recommendations Not Implemented*	% of Recommendations Not Implemented*
Marriott Marquis Hotel	1		1	100.00%
NYC Public Library	2	2		0.00%
Parks & Recreation, Dept. of	65	40	25	38.46%
Public Administrator, Kings County	18	18		0.00%
Queens Public Library	2	2		0.00%
Sanitation, Dept. of	22	15	7	31.82%
Small Business Services, Dept of	16	13	3	18.75%
South Street Seaport Associates	3		3	100.00%
Transportation, Dept of	15	10	5	33.33%
World Ice Arena	2	1	1	50.00%
Total	383	268	115	30.03%

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

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