



# City of New York

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## OFFICE OF THE COMPTROLLER

Scott M. Stringer  
COMPTROLLER



## FINANCIAL AUDIT

**Marjorie Landa**

Deputy Comptroller for Audit

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

FK18-102A

**June 28, 2018**

<http://comptroller.nyc.gov>



THE CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
SCOTT M. STRINGER

June 28, 2018

To the Residents of the City of New York:

My office has audited the Richmond County District Attorney's Office (RCDA) to determine whether the RCDA maintained adequate fiscal controls over Personal Services (PS) and Other Than Personal Services (OTPS) expenditures as required by applicable rules, regulations, and procedures. We audit City agencies, such as the RCDA, to increase accountability and ensure that funds are used appropriately.

The audit found that the RCDA did not maintain adequate fiscal controls over its PS expenditures to ensure that salary, overtime and other payments made to its employees were reasonable, appropriate, adequately supported and properly approved. Most notably, in Fiscal Year 2017, the RCDA made "one-time payments" totaling \$1.4 million to its employees, in addition to their regular salaries, without formal written policies and procedures or adequate supporting documentation, and with funds that were earmarked for another purpose. In addition, the RCDA inappropriately approved employees' overtime requests, did not always ensure that certain employees used a CityTime hand-scanner or web-clock to record their time, did not always review and approve timesheets before their paychecks were processed and did not adequately segregate its payroll, timekeeping and personnel functions.

The audit also found that the RCDA did not maintain adequate fiscal controls over its OTPS expenditures to ensure that they were reasonable, appropriate, adequately supported and properly approved. In addition, the RCDA improperly charged certain non-investigative expenditures to object code 460 which should be used only for confidential expenditures, inappropriately processed some expenditures through agency-administered bank accounts, improperly processed certain expenditures using Miscellaneous Payment Vouchers and did not perform monthly bank reconciliations for four of its six agency-administered bank accounts.

The audit makes 15 recommendations, including that the RCDA should: establish formal written policies and procedures for issuing any additional payments to employees; ensure that employees requesting overtime and supervisory personnel responsible for reviewing and approving overtime requests comply with RCDA policies and procedures; ensure that all employee timesheets are approved prior to processing payroll; ensure that payroll processes are adequately segregated; ensure that requisition forms are maintained for all expenditures and that they clearly state the need for the purchase and demonstrate that the proper authorizations were obtained; periodically review Payment Vouchers to ensure that the correct types of vouchers are used; charge purchases to the correct object code; and ensure that monthly bank reconciliations are performed for all RCDA bank accounts.

The results of the audit have been discussed with RCDA officials and their comments have been considered in preparing this report. The RCDA's complete written response is attached to this report.

If you have any questions concerning this report, please e-mail my Audit Bureau at [audit@comptroller.nyc.gov](mailto:audit@comptroller.nyc.gov).

Sincerely,



Scott M. Stringer

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# THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER FINANCIAL AUDIT

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

FK18-102A

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### EXECUTIVE SUMMARY

The City's five District Attorneys (DAs), including the Richmond County DA, are each publicly elected to terms of four years and are responsible for investigating and prosecuting crimes, assisting victims, and implementing crime prevention strategies in their respective boroughs. DA office operations are primarily funded by the City Treasury, but the DAs also receive federal and State asset forfeiture funds as well as grants.

The Richmond County District Attorney's Office's (RCDA's) Personal Services (PS) expenditures are centrally managed through its Human Capital Unit, which is responsible for overseeing payroll, timekeeping, and personnel functions. The RCDA's Other Than Personal Services (OTPS) expenditures are centrally managed through its Administration Unit, which includes the Procurement and Fiscal Units.<sup>1</sup> The RCDA Procurement Unit is primarily responsible for processing expenditures through the City's Financial Management System (FMS) and maintaining all supporting documentation related to those expenditures. The RCDA Fiscal Unit is responsible for administering the office's six bank accounts, which includes processing payments via check or Electronic Funds Transfer (EFT) from those accounts and maintaining supporting documentation for expenditures paid through them.

The New York City Department of Investigation (DOI), the United States Attorney's Office for the Eastern District of New York, and the Federal Bureau of Investigation (FBI) conducted a joint investigation concerning theft of funds from the RCDA after being alerted to the issue by the RCDA. Following the investigation, on April 23, 2018, the former RCDA Procurement Director pled guilty to theft of government funds relating to his embezzlement of over \$440,000 from the RCDA by using agency credit cards for personal expenditures. As a result of the investigation, DOI made several recommendations to the RCDA, including that the RCDA ensure that an independent entity conducted an audit of agency finances within 12 months of the issuance of DOI's report in August 2017. This audit was initiated at the request of the RCDA.

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<sup>1</sup> Personal Services (PS) expenditures are those for salaries, wages, and fringe benefits of City employees. Other than Personal Services (OTPS) expenditures are those for expenses other than salaries and fringe benefits, such as supplies, equipment, utilities, and contractual services. City of New York Adopted Budget, Fiscal Year 2018, Glossary of Terms, p. vi.

We conducted this audit to determine whether the RCDA maintained adequate fiscal controls over PS and OTPS expenditures as required by applicable rules, regulations, and policies and procedures.

## **Audit Findings and Conclusions**

We found that the RCDA did not maintain adequate fiscal controls over its PS expenditures to ensure that salary, overtime, and other payments made to its employees were reasonable, appropriate, adequately supported, and properly approved. Most notably, in Fiscal Year 2017, the RCDA made “one-time payments” ranging from \$4,000 to \$24,000, totaling \$1.4 million, to its employees, in addition to their regular salaries, without formal written policies and procedures or adequate supporting documentation, and with funds that were earmarked for another purpose.

In addition, RCDA supervisory personnel inappropriately approved employees’ overtime requests for time worked during lunchtime and requests that did not, as required, state the reason for the overtime. Supervisors did not always ensure that employees in designated titles used a CityTime hand-scanner or web-clock to record their workday start and end times as required and did not always review and approve employees’ timesheets before their paychecks were processed. As a result, RCDA employees may have inappropriately requested overtime and inaccurately reported their work-time, and the RCDA may have paid employees for time that they did not work. Further, the RCDA did not adequately segregate its payroll, timekeeping, and personnel functions, which created an environment where erroneous or fraudulent transactions can be processed and go undetected.

We also found that the RCDA did not maintain adequate fiscal controls over its OTPS expenditures to ensure that they were reasonable, appropriate, adequately supported, and properly approved. Based on our review of 121 sampled expenditures, totaling \$1,156,222, made during Calendar Years 2015 through 2017, the inadequate controls resulted in 78 expenditures, totaling \$590,909 (51.1 percent), that were either not reasonable, appropriate, adequately supported, or properly approved, or were affected by a combination of those issues.

Moreover, the RCDA improperly charged certain non-investigative expenditures to object code 460, which should be used only for confidential expenditures, inappropriately processed some expenditures through agency-administered bank accounts, and improperly processed certain expenditures using Miscellaneous Payment Vouchers, which can contribute to a distortion of the City’s financial records, and where used to pay for contracted services, understate its outstanding obligations. Finally, during Calendar Years 2015 through 2017, the RCDA did not perform monthly bank reconciliations for four of its six agency-administered bank accounts as required by Comptroller’s Directive #11.

## **Audit Recommendations**

To address these issues, we make a total of 15 recommendations, including that the RCDA should:

- Establish formal written policies and procedures for issuing any additional payments to employees that clearly define the basis and methodology used to determine the payment amounts, including consideration of employees’ performance evaluations and lengths of employment, and require supporting documentation, such as justification memos, to be maintained in employees’ personnel files;

- Ensure that employees requesting overtime and supervisory personnel responsible for reviewing and approving overtime requests comply with RCDA policies and procedures;
- Ensure that all employee timesheets are approved prior to processing payroll;
- Ensure that payroll processes are adequately segregated in accordance with Comptroller's Directive #13;
- Ensure that requisition forms are maintained for all expenditures processed through FMS and all payments made from agency administered bank accounts and that they clearly state the need for the purchase and demonstrate that the proper authorizations were obtained prior to the office's making the requested payment;
- Periodically review Payment Vouchers to ensure that staff adhere to Comptroller's Directive #24 and that the correct types of vouchers are used;
- Charge purchases to the correct object code in accordance with Comptroller's Directive #24; and
- Ensure that monthly bank reconciliations are performed for all RCDA bank accounts in accordance with Comptroller's Directive #11.

## Auditee Response

In its response, the RCDA generally agreed with the report's 15 recommendations. In its response the RCDA stated

Although many of the critiques in this Audit Report capture a snapshot of an agency in a state of great transition, growth, and flux, and one that for many years had little to no oversight or accountability structure in place, which left it vulnerable to attack, we are encouraged that many of the findings of this report reflect procedures and practices that predate June 2017. We have undertaken many new procedures with our new team since that date and recognize that this transition is still a work in progress. We welcome some of the thoughtful recommendations provided by the Comptroller in this report and have begun to incorporate those that are appropriate into our policy manuals.

# AUDIT REPORT

## Background

The City's five DAs, including the Richmond County DA, are each publicly elected to terms of four years and are responsible for investigating and prosecuting crimes, assisting victims, and implementing crime prevention strategies in their respective boroughs. DA office operations are primarily funded by the City Treasury, but the DAs also receive federal and State asset forfeiture funds as well as grants.<sup>2</sup>

The RCDA's PS expenditures are centrally managed through its Human Capital Unit, which is responsible for overseeing payroll, timekeeping, and personnel functions. RCDA employees account for their time and leave through CityTime, the City's automated timekeeping system, which interfaces with the City's Payroll Management System (PMS) that is used to process all of the RCDA's PS expenditures.

The RCDA's OTPS expenditures are centrally managed through its Administration Unit, which includes the Procurement and Fiscal Units. The RCDA Procurement Unit is primarily responsible for processing expenditures through the City's FMS and maintaining all supporting documentation related to those expenditures. Expenditures that are processed through FMS include, but are not limited to, regular day-to-day operating expenditures such as supplies, maintenance, and other investigative and case-related costs, as well as capital expenditures such as furniture, equipment, and vehicles, all of which are funded by City tax-levy funds as well as grant funds that are received by the RCDA.

The RCDA Fiscal Unit is responsible for administering the office's six bank accounts, which includes processing payments via check or EFT from those accounts and maintaining supporting documentation for expenditures paid through them. Expenditures processed through four of the RCDA's bank accounts are typically investigative and case-related expenditures that are funded by federal and State asset forfeiture funds. In addition, the RCDA also maintains two City-funded bank accounts that are used to process other investigative and case-related expenditures as well as agency-related expenditures such as employee recognition events.

Table I below summarizes the total PS and OTPS expenditures processed by the RCDA during Calendar Years 2015 through 2017.<sup>3</sup>

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<sup>2</sup> Forfeited funds are paid to local DAs through a number of statutory and procedural means, including the use of non-prosecution agreements between defendants and a prosecutor that allow the defendants to avoid the consequences of a prosecution by paying fines and forfeitures and by agreeing to numerous other conditions, including cooperation with the government, institution of a compliance program, and admissions of wrongdoing. Both federal and State rules allow forfeited funds awarded to a law enforcement agency to be expended for specific law enforcement purposes and to be distributed to other parties and government agencies for permissible uses.

<sup>3</sup> For Calendar Years 2015 through 2017, the RCDA expended a total of \$12,379,524 through FMS and agency-administered bank accounts. Of the \$12,379,524 in OTPS referenced in Table I below, the RCDA expended a total of \$4,367,383 from its Escrow bank account. The RCDA uses the Escrow bank account to hold money seized during investigations. Depending on the outcome of the investigation and prosecution, the RCDA is responsible for either returning escrow funds to defendants or distributing escrow funds to victims, law enforcement agencies, or to the New York State Office of Alcoholism and Substance Abuse Services.



**Table I**

RCDA PS and OTPS Expenditures  
for Calendar Years 2015 through  
2017

	<b>CY 2015</b>	<b>CY 2016</b>	<b>CY 2017</b>	<b>Total</b>
<b>OTPS</b>	\$ 2,747,328	\$ 2,306,874	\$ 7,325,323	<b>\$ 12,379,524</b>
<b>PS</b>	\$ 8,681,957	\$ 9,458,137	\$ 12,817,752	<b>\$ 30,957,846</b>
<b>Total Expenditures</b>	<b>\$ 11,429,285</b>	<b>\$ 11,765,011</b>	<b>\$ 20,143,075</b>	<b>\$ 43,337,370</b>

In accordance with the City Charter, Administrative Code, and Rules of the City of New York, the Mayor, the City Comptroller, and other oversight agencies have established rules and regulations to standardize administrative, financial, and management procedures across all City agencies. With regard to OTPS and the procurement of all goods and services to be paid for out of the City treasury or out of monies under the control of the City, the City's Procurement Policy Board (PPB) has created the PPB Rules, in part, to safeguard the integrity of the procurement system and protect against corruption, waste, fraud, and abuse. With regard to PS, the Commissioner of the Department of Citywide Administrative Services (DCAS) has issued Personnel Services Bulletins (PSBs) to notify agency personnel officers of policies and procedures relating to Citywide personnel issues.

In addition, the City Comptroller has issued Internal Control and Accountability Directives (Comptroller's Directives) that agencies must follow. Specifically, Comptroller's Directive #1, *Principles of Internal Control*, outlines internal control functions to ensure full accountability for City resources as well as ensuring the reliability of the City's account systems and financial reporting. Comptroller's Directive #6, *Travel, Meals, Lodging, and Miscellaneous Agency Expenses*, governs expenditures for employee travel, agency provided meals and refreshments, and a variety of other miscellaneous agency expenses. Moreover, Comptroller's Directive #11, *Cash Accountability and Control*, governs the basic internal controls and accountability requirements for establishing bank accounts, recording receipts and disbursements, and the reconciliation of all cash or cash equivalents, including currency, checks, money orders, credit cards, and EFTs. Furthermore, Comptroller's Directive #13, *Payroll Procedures*, sets forth the basic internal controls and procedures agencies must follow for recording employee time, preparing timekeeping data for payroll processing, and distributing payrolls. Lastly, Comptroller's Directive #24, *Agency Purchasing Procedures and Controls*, provides accounting, internal control, and documentation requirements relative to City agency purchasing transactions and expenditures.

The RCDA Policies and Procedures Manual governs matters related to PS expenditures and the Internal Control Procedures manual governs OTPS expenditures.

DOI, the United States Attorney's Office for the Eastern District of New York, and the FBI conducted a joint investigation concerning theft of funds from the RCDA after being alerted to the issue by the RCDA. Following the investigation, on April 23, 2018, the former RCDA Procurement Director pled guilty to theft of government funds relating to his embezzlement of over \$440,000 from the RCDA by using agency credit cards for personal expenditures.

As charged in the indictment, for approximately 10 years between 2006 and 2016, the former RCDA Procurement Director engaged in deliberate conduct to conceal his scheme to defraud the

City. DOI also determined that the RCDA lacked sufficient internal controls relating to use of the agency credit card accounts, and that its supervisors failed to provide sufficient oversight of the former RCDA Procurement Director's use of the credit cards to detect the fraudulent scheme earlier. DOI made several recommendations to the RCDA to correct those deficiencies, including that the RCDA ensure that an independent entity conducted an audit of agency finances within 12 months from the issuance of DOI's report in August 2017. This audit was initiated at the request of the RCDA.

## Objective

The objective of this audit was to determine whether the RCDA maintained adequate fiscal controls over PS and OTPS expenditures as required by applicable rules, regulations, and policies and procedures.

## Scope and Methodology Statement

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

This audit covered the period January 1, 2015 through December 31, 2017. Please refer to the Detailed Scope and Methodology at the end of this report for the specific procedures and tests that were conducted.

## Discussion of Audit Results

The matters covered in this report were discussed with RCDA officials during and at the conclusion of this audit. A preliminary draft report was sent to the RCDA and discussed at an exit conference on June 4, 2018. At the exit conference, RCDA officials provided additional information regarding certain issues discussed in the report which was considered in connection with the preparation of the draft report. On June 8, 2018, we submitted a draft report to the RCDA with a request for written comments. We received a written response from the RCDA on June 22, 2018.

In its response, the RCDA generally agreed with the report's 15 recommendations. The RCDA stated that the audit

covered years 2015-2017, a period of immense change, transition, and growth for RCDA as a new administration took the helm in the middle of this period . . . .

[I]t is also an unfortunate reality that during this period RCDA was victimized by one of its managerial employees . . . the former Procurement Director, who . . . made personal purchases using the agency's resources over a period of many years. . . .

During the period from January 2017 to June 2017, RCDA . . . worked with DOI to review and analyze the fiscal practices, procedures (or lack thereof), and

mismanagement of funds that allowed the theft to take place. . . . [I]n June 2017, DOI released a series of 20 recommendations to RCDA, which were immediately implemented, in addition to even more measures that RCDA independently undertook to ensure the oversight, reform, and accountability of RCDA's fiscal and operational matters. . . .

Although many of the critiques in this Audit Report capture a snapshot of an agency in a state of great transition, growth, and flux, and one that for many years had little to no oversight or accountability structure in place, which left it vulnerable to attack, we are encouraged that many of the findings of this report reflect procedures and practices that predate June 2017. We have undertaken many new procedures with our new team since that date and recognize that this transition is still a work in progress. We welcome some of the thoughtful recommendations provided by the Comptroller in this report and have begun to incorporate those that are appropriate into our policy manuals.

## FINDINGS AND RECOMMENDATIONS

The RCDA did not maintain adequate fiscal controls over its PS expenditures to ensure that salary, overtime, and other additional payments made to its employees were reasonable, appropriate, adequately supported, and properly approved.

Most notably, the RCDA made “one-time payments” ranging from \$4,000 to \$24,000, totaling \$1.4 million, to its employees for Fiscal Year 2017 that were in addition to employees’ regular salaries. However, these payments were not made in accordance with any formal policies and procedures; were not supported by adequate documentation, such as justification memos; and were made using funds that were earmarked for another purpose. In discussing this matter, the RCDA informed us that for any future one-time payments, it will use personnel modification forms and maintain them in employees’ personnel files.

In addition, during Calendar Years 2015 through 2017, RCDA supervisory personnel responsible for reviewing and approving employees’ overtime requests and timesheets inappropriately approved overtime requests for time worked during lunchtime and overtime requests that did not include a reason for the overtime as required, did not ensure that certain non-managerial employees used a CityTime hand-scanner or web-clock to record their workday start and end times, and did not always review and approve employees’ timesheets that attested to time worked before their paychecks were processed. As a result, RCDA employees may have inappropriately requested overtime and inaccurately reported their time, and the RCDA may have paid employees for time that they did not work.

According to the RCDA, in the fall of 2017, the RCDA identified an issue with overtime requests and enhanced its approval procedures by having the RCDA Chief Administrative ADA perform the final review and approval of all overtime requests. Based on our review, the number of inappropriately-approved overtime requests decreased significantly after the enhanced approval procedures were implemented. In addition, the RCDA acknowledged that CityTime timesheets were not approved in a timely manner during the audit scope period. To address that problem, the RCDA stated that it currently does not allow an employee to receive a salary payment without an approved CityTime timesheet.

The RCDA also did not adequately segregate its payroll, timekeeping, and personnel functions as required by Comptroller’s Directive #13. By not segregating those functions as required, the RCDA created an environment where erroneous or fraudulent transactions can be processed and go undetected. The RCDA stated that it could not adequately segregate the three functions due to limited staffing. In such circumstances, Comptroller’s Directive #13 provides for acceptable alternatives, such as making payroll part of the agency’s accounting, finance or business office, but stipulates that the payroll unit “must never be under the supervision of the personnel or timekeeping office.”

The RCDA did not maintain adequate fiscal controls over its OTPS expenditures to ensure that they were reasonable, appropriate, adequately supported, and properly approved. The RCDA’s Internal Control Procedures require employees to submit expenditure requisition forms, which attest to the office’s need for the expenditures and document the required approvals. The RCDA Procurement Unit is responsible for procuring goods and services in accordance with PPB Rules, receiving them, reviewing invoices to ensure the accuracy of pricing and terms, and approving payment. However, based on our review of 121 sampled expenditures, totaling \$1,156,222, made during Calendar Years 2015 through 2017, the RCDA did not ensure that these controls were in use and working. Consequently, the RCDA made 78 expenditures, totaling \$590,909 (51.1

percent), that were either not reasonable, appropriate, adequately supported, or properly approved, or were affected by a combination of these issues.

Moreover, the RCDA improperly expended a portion of its City OTPS budget in ways that limited public transparency and external oversight during Calendar Years 2015 through 2017. Primarily, the RCDA improperly charged office, automotive, seminar and event-related expenditures to object code 460, which should be used only for confidential expenditures, and inappropriately processed some expenditures through agency-administered bank accounts. The only record of agency-administered bank account expenditures in the City's books and records is a lump-sum transfer from the City Treasury to an agency-administered bank account. In such cases, the types, amounts, and payees of the expenditures drawn from agency-administered bank accounts can be seen only by examining the agency's—here the RCDA's—purchasing and bank account records. Further, the RCDA improperly processed expenditures using Miscellaneous Payment Vouchers. The inappropriate use of Miscellaneous Payment Vouchers can contribute to a distortion of the City's financial records, and where used to pay for contracted services, understate the City's outstanding obligations.

The RCDA acknowledged that the “460 bank account” was used for expenditures that were not related to criminal justice activities or confidential in nature. The RCDA informed us that it now uses its Demand bank account to process expenditures that are not related to criminal justice activities or confidential in nature. The RCDA also acknowledged that it inappropriately processed expenditures through FMS using Miscellaneous Payment Vouchers because it did not register certain contracts with the Comptroller's Office. The RCDA further stated that it “completely corrected this issue - now all contracts are registered with the comptroller's office . . . and payment vouchers are correctly administered.”

Finally, the RCDA did not perform monthly bank reconciliations for four of its six agency-administered bank accounts that compared bank account balances to book balances and accounted for differences as required by Comptroller's Directive #11 during Calendar Years 2015 through 2017. By forgoing monthly bank reconciliations, the RCDA incurs the risk that it may not detect accounting and bank errors and misappropriation of funds. The RCDA stated that it would perform monthly bank reconciliations going forward.

These findings are discussed in the following sections of this report.



## PS Expenditures

### The RCDA Made Additional Payments to Its Employees That Were Unsupported by Formal Policies and Procedures or Written Justifications

In Fiscal Year 2017, the RCDA made “one-time payments” to its employees totaling \$1,436,000. These payments were in addition to employees’ regular salary and ranged from \$4,000 to \$24,000. The RCDA makes additional payments to its employees if the RCDA has funds remaining in its PS budget at the end of the fiscal year. According to RCDA officials, its Assistant District Attorneys are paid less than attorneys working for other City agencies and additional payments “have been a tool to address this inequity and bolster retention of key staff.” However, the RCDA’s additional payments were not made in accordance with formal written policies and procedures, were not supported by adequate documentation, such as justification memos, and were made using funds that were earmarked for another purpose.

### The RCDA Did Not Implement Formal Written Policies and Procedures for Issuing One-Time Payments to Its Employees

The Comptroller's Directive #1 *Financial Integrity Statement Checklist* includes formal written operating procedures that are communicated to appropriate individuals among the criteria that agency management should follow in maintaining a reliable and effective system of internal controls. However, the RCDA did not implement written policies and procedures that established criteria for determining whether employees should receive additional payments, and if so, the amount of such payments.

A prior Comptroller’s audit issued in 2005 cited the RCDA for not maintaining documentation to justify one-time payments made to its employees that were in addition to their regular approved salaries and recommended that the RCDA “[e]stablish formal procedures for issuing one-time payments to its staff. The procedures should require that employee personnel files contain memos or other documentation justifying one-time payments.”<sup>4</sup> In response, the RCDA stated that “[b]eginning January 1, 2005, the office will undertake a formal performance evaluation process for the entire staff. Funding permitted, any future one time payments will be based on the employee’s performance rating.” However, the RCDA did not establish formal procedures for issuing one-time payments as recommended.

According to RCDA officials, the RCDA made payments to its employees based, in part, on their performance evaluations, notable contributions, titles, and years of experience. For Fiscal Years 2016 and 2017, the RCDA Chief Administrative Assistant District Attorney (the RCDA Chief Administrative ADA) informed us that she used a spreadsheet that recorded this information as a basis for determining additional payments. However, based on our review of this spreadsheet, the RCDA made questionable payments totaling \$15,000 to three employees who were cited for issues with their work product or were the subject of several disciplinary actions. For these three employees, the RCDA spreadsheet did not include any information on employees’ notable contributions or years of service that would justify why they received additional payments.

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<sup>4</sup> On January 7, 2005, the New York City Comptroller issued the *Audit Report on the Financial and Operating Practices of the Richmond County District Attorney’s Office* (Audit # FP04-056A).

Additionally, the RCDA made payments totaling \$116,000 to 12 employees who worked for the RCDA for less than six months. For 11 of these 12 employees, the RCDA Chief Administrative ADA's spreadsheet did not include information on each of the factors—performance evaluations, notable contributions, titles, and years of experience—that the RCDA stated that it used as a basis for determining whether employees should receive additional payments. For example, the RCDA made an additional payment of \$7,000 to an employee who worked for the RCDA for less than three months. For this employee, the RCDA spreadsheet recorded only the employee's title of Detective Investigator and did not record any information on his performance evaluation, notable contributions, or years of experience to justify why he received an additional payment of \$7,000.

## **The RCDA Did Not Maintain Adequate Documentation to Support One-Time Payments Made to Its Employees**

Comptroller's Directive #13, states that “[g]iven the very significant financial impact of payroll costs, it is critical that agencies devote the resources necessary to appropriately manage and control the payroll process. Agency management must insure that the internal controls and procedures specified in this Directive are in place . . . .” These internal controls and procedures include that the “personnel office must maintain records supporting and authorizing documentation for all personnel actions including hiring new employees, changes in compensation or title, salary deductions, terminations, resignations, retirements and all intervening events.” As previously mentioned, the RCDA Chief Administrative ADA maintained a spreadsheet that recorded information on employees' performance evaluations, notable contributions, titles, and years of experience as a basis for determining additional payments. Additionally, the RCDA Chief Administrative ADA informed us that the DA maintained notes on employees' performance based on discussions with employees and their supervisors. However, the RCDA Human Capital Unit, which is responsible for overseeing personnel functions, did not maintain records in employees' personnel files, such as justification memos, to support and authorize one-time payments made to employees, which constitute a change in compensation for each such employee for the year in which the payment is made.

As mentioned above, the RCDA was previously cited in an earlier audit for not maintaining documentation to justify payments in addition to the employees' regular approved salaries. However, as evidenced by our current findings, the RCDA did not take the needed steps to remediate this condition. In the absence of adequate documentation, such as justification memos, we could not obtain reasonable assurance that payments made to RCDA employees are appropriate.

After we presented our findings to the RCDA, the RCDA stated that for any future one-time payments, it will use personnel modification forms which are signed by the employee, the RCDA Chief Administrative ADA, and the DA and maintain them in employees' personnel files.

**RCDA Response:** “We disagree with the Comptroller's assessment that there was inadequate documentation to support these payments. To the contrary, in addition to the master spreadsheet referred to in the report with notes regarding individual performances, individual sheets with notes from managers, supervisors, and the DA as well as with metrics about individual success were kept on each employee documenting the amount and justification of their one-time payment. The template of these sheets was provided to Auditors.”

**Auditor Comment:** During the course of the audit, we requested the “individual sheets with notes from managers, supervisors, and the DA as well as with metrics about individual

success.” However, as the RCDA stated in its response, the RCDA provided only a template of those sheets and not individual sheets with notes and metrics for each RCDA employee documenting the amount and justifying the one-time payment.

## **The RCDA Made One-Time Payments to Its Existing Employees Using Funds That Were Earmarked for Hiring New Staff**

In Fiscal Year 2017, the RCDA had \$1.4 million remaining in its PS budget at the end of the fiscal year primarily because it received a \$2.9 million budget increase to fund 39 new positions that it either filled for only part of the fiscal year or did not fill at all during that year. The RCDA used its surplus PS funds to make additional payments to its existing employees. However, since the RCDA received the \$2.9 million budget increase to fund 39 new positions, we question why the RCDA did not return surplus PS funds to the City Treasury or seek approval for using the PS funds for a different purpose i.e., for making additional payments to its existing employees.

While there are no City policies and procedures that prohibit agencies from making additional payments to employees, we note that the total amount of additional payments made by the RCDA to its employees increased significantly during our scope period from \$459,110 in Fiscal Year 2015, to \$1,436,000 in Fiscal Year 2017, a 212.8 percent increase, as detailed in Table II below.

**Table II**

Additional Payments Made to RCDA  
Employees for Fiscal Years 2015  
through 2017

Fiscal Year	Total Amount of Additional Payments	Number of Employees That Received Additional Payments	Average Dollar Amount of Additional Payments
2015	\$459,110	102	\$4,501
2016	\$758,000	98	\$7,735
2017	\$1,436,000	138	\$10,406

**RCDA Response:** “As the Audit Report notes, FY17 was an extraordinary year and certainly not the norm for RCDA’s PS Budget. A much needed and an historic 37% increase in our overall budget for FY17 meant that RCDA needed to do a lot of hiring and expansion of our facilities to accommodate a significant amount of growth and new programming. In total, we increased our staff size in positions by 50% from 2016 to 2017, but of course not every hire was made immediately on July 1<sup>st</sup> (Day 1 of the Fiscal Year) nor were we able to retain every employee during the transition and throughout the year. This resulted in an unusually high surplus in PS funds for that fiscal year. It should be noted, however, that RCDA worked diligently and quickly to fill these new positions and by February 2017 – 90% had been hired. It should also be noted that RCDA did return funds to the City of New York at the end of FY17 – roughly \$566k was returned – all of which was originally designated to RCDA’s budget in July 2017 for personnel.”

**Auditor Comment:** During the course of the audit and in response to the report, the RCDA did not provide documentation to support that it returned surplus PS funds to the City. Moreover, as it is undisputed that \$1,436,000 was used for one-time payments to RCDA

employees, we find no basis to modify the finding and conclusion. In addition, we continue to question why the RCDA did not return surplus PS funds that were not used for the intended purpose for which they were allocated to the City Treasury or seek approval for alternative uses of those funds.

## The RCDA Inappropriately Approved Employees' Overtime Requests

The RCDA Policies and Procedures Manual issued in September 2014, states that the RCDA

implemented an automated timekeeping system called 'CityTime.' . . . that employees will use for recording time and requesting leave and overtime . . . . CityTime automates the approval workflow, so that your requests are automatically sent to your supervisor for review and approval. . . .

All overtime requests must be pre-approved . . . When requesting overtime, a reason is required for the overtime. Simply state a reason for the overtime in the **Employee Comments** section; All overtime requests should be submitted for time worked at the end of the work day. No overtime requests should be submitted for time worked at lunchtime.

However, our review of all overtime requests (which includes requests for compensatory time and cash overtime) approved during Calendar Years 2015 through 2017 found that RCDA supervisory personnel inappropriately approved 1,217 of 15,013 requests (8.1 percent), as detailed in Table III below. Of those 1,217 overtime requests, RCDA supervisory personnel inappropriately approved 1,121 requests for time worked at lunchtime and 96 requests that did not state a reason for the overtime as required. As a result, 62 RCDA employees improperly accrued 913 hours of compensatory time and 15 RCDA employees were improperly paid for 85 hours of overtime, during Calendar Years 2015 through 2017. Table III below details the number of inappropriately approved overtime requests by calendar year.

**Table III**

Inappropriately Approved Overtime Requests for Calendar Years 2015 through 2017

Calendar Year	Total Number of Approved Overtime Requests	Inappropriately Approved Overtime Requests	
		#	%
2015	4,003	102	2.5%
2016	5,415	560	10.3%
2017	5,595	555	9.9%
<b>Total</b>	<b>15,013</b>	<b>1,217</b>	<b>8.1%</b>

According to the RCDA Chief Administrative ADA, in the fall of 2017, the RCDA identified an issue with overtime requests and enhanced its approval procedures by having the RCDA Chief

Administrative ADA perform the final review and approval of all overtime requests. Further, the RCDA Human Capital Unit conducted training sessions to remind all staff of time and leave policies.

The RCDA Chief Administrative ADA also informed us that there are certain circumstances in which it may be necessary for employees to work through all or a portion of their lunchtime such as when employees are in court or interviewing witnesses. In these circumstances, the RCDA would approve overtime requests for time worked at lunchtime. However, as previously noted the RCDA Policies and Procedures Manual states that “[n]o overtime requests should be submitted for time worked at lunchtime” and does not provide for any exceptions.

Based on our review, the number of inappropriately-approved overtime requests decreased significantly after the enhanced approval procedures were implemented. Our review of the approved overtime requests during the last quarter of the calendar year—October, November, and December of 2017—found that there were 20 approved overtime requests for time worked at lunchtime and 1 approved overtime request that did not state a reason for the overtime as required, which accounts for 3.8 percent of the total inappropriately approved overtime requests cited in Calendar Year 2017. Of the 20 overtime requests for time worked at lunchtime, 9 overtime requests did not state that employees were in court or with a witness.

### **The RCDA Did Not Ensure That Employees Recorded Their Time in an Appropriate Manner**

The RCDA Policies and Procedures Manual issued in September 2014, states that the RCDA “implemented an automated timekeeping system called ‘CityTime.’ . . . that employees will use for recording time.” According to the CityTime “Welcome to Online Help Manual,” “CityTime allows for the accurate recording of time and leave events – resulting in less pay errors – and will eliminate the need to collect time and leave data manually.” RCDA officials initially informed us that its managerial employees and ADAs can manually record their time and that its non-managerial employees other than ADAs are required to use a CityTime hand-scanner or web-clock to record their time. After we presented our findings to the RCDA, the RCDA stated that, in addition to managerial employees and ADAs, the Detective Investigators and Community Partnership staff are also permitted to manually record their time because they frequently start or end their day outside of the office.

However, the RCDA did not appropriately restrict the CityTime access of non-managerial employees other than ADAs, Detective Investigators, and Community Partnership staff, and RCDA supervisory personnel who were responsible for supervising such non-managerial employees did not ensure that they always recorded their time using a CityTime hand-scanner or web-clock as required. Based on our review of CityTime Time Entry Detail Reports for three sampled bi-weekly pay periods (one each for Calendar Years 2015 through 2017), RCDA non-managerial employees manually recorded 143 of 2,529 sampled time entries (5.7 percent) as detailed in Table IV below.



**Table IV**

Analysis of Sampled Non-  
Managerial Employee Time Entries  
for Calendar Years 2015 through  
2017

Calendar Year	Total Number of Sampled Non-Managerial Employee Start and End Time Entries Reviewed	Sampled Non-Managerial Employee Start and End Time Entries That Were Manually Recorded	
		Number	Percentage
2015	810	57	7.0%
2016	718	28	3.9%
2017	1,001	58	5.8%
<b>Total</b>	<b>2,529</b>	<b>143</b>	<b>5.7%</b>

By allowing its non-managerial employees to manually record their time, the RCDA incurs the risk that employees may inaccurately report their time and be paid for hours that they did not work.

### **The RCDA Did Not Approve Timesheets in a Timely Manner**

According to the RCDA's Policies and Procedures Manual issued in September 2014, "[a]ll timesheets must be reviewed and either approved final or returned for correction by 10:00 a.m. each Tuesday. All approved final timesheets must be submitted no later than 12:00 p.m. each Tuesday."

However, our review of 717 weekly CityTime timesheets from three sampled bi-weekly payroll periods (one each for Calendar Years 2015 through 2017), found that 495 of them (69 percent) were not approved by Tuesday of the following week. Furthermore, of those 495 weekly timesheets that were not approved by Tuesday of the following week, 104 (15 percent) were not approved prior to the pay date for that bi-weekly payroll period. For example, timesheets for the week ending October 31, 2015 had an associated pay date of November 6, 2015, and one employee's timesheet was not approved until November 18, 2015. Table V below breaks down the number of instances CityTime timesheets were approved following the associated pay date during our scope period.

**Table V**

Number of Sampled CityTime  
Timesheets Not Approved in a  
Timely Manner

<b>Payroll Period Reviewed</b>	<b>Total Timesheets Reviewed</b>	<b>Number of Timesheets Not Approved by the Following Tuesday</b>	<b>Percentage of Timesheets Not Approved by the Following Tuesday</b>	<b>Number of Timesheets Approved After Pay Date</b>	<b>Percentage of Timesheets Approved After Pay Date</b>
October 18, 2015 - October 31, 2015	185	119	64%	20	11%
October 16, 2016 - October 29, 2016	233	153	66%	43	18%
October 15, 2017 - October 28, 2017	299	223	75%	41	14%
<b>Total</b>	<b>717</b>	<b>495</b>	<b>69%</b>	<b>104</b>	<b>15%</b>

By processing payroll payments that lack an approved CityTime timesheet, the RCDA incurs the risk of paying employees for time they did not work. After we presented our findings to the RCDA, the RCDA acknowledged that CityTime timesheets were not approved in a timely manner during the audit scope period. To address that problem, the RCDA stated that it currently does not allow an employee to receive a salary payment without an approved CityTime timesheet.

### **The RCDA Did Not Adequately Segregate Its Payroll Functions**

Comptroller's Directive #13 states that

the payroll process consists of four primary functions; personnel, timekeeping, payroll and distribution. . . . The importance of the adequate segregation of duties in the payroll process cannot be overemphasized. . . . [A]gencies must insure that the following processes are adequately segregated:

- (1) Authorization of payroll additions, deletions and changes.
- (2) Production of the primary records which attest to the time worked.
- (3) The preparation of timekeeping data and its input into PMS.
- (4) The processing and production of the payroll.
- (5) The distribution of paychecks. . . .

The payroll office must be an independent unit, organizationally separate from agency personnel and timekeeping functions. . . . Furthermore, to insure the independence of the payroll office, its employees must not have access to the

timekeeping records that are the basis for payroll production and must not have the authority to authorize payroll actions.

However, the RCDA payroll function is not organizationally separate from its personnel and timekeeping functions. The RCDA Human Capital Unit is responsible for all payroll, personnel, and timekeeping functions and consisted of only two employees during our scope period. A single RCDA Human Capital Unit employee was primarily responsible for serving as the final approver for all RCDA employees' timesheets, processing bi-weekly payroll, and distributing paychecks. Furthermore, the RCDA Human Capital Unit Director has access to timekeeping records that are the basis for bi-weekly payroll and can authorize personnel and payroll actions.

The RCDA organizational structure with respect to personnel, timekeeping, and payroll functions is contrary to Comptroller's Directive #13, which states that "[a]n improperly organized payroll process can present many opportunities for the production of erroneous or fraudulent pay transactions."

After we presented our findings to the RCDA, the RCDA stated that it could not adequately segregate its personnel, timekeeping, and payroll functions due to limited staffing. However, Comptroller's Directive #13 states that "[i]f the size of the agency and the volume of work do not warrant a separate organizational unit, payroll may be part of the agency's accounting, finance or business office. In very small agencies with few employees, the payroll responsibility may be assigned to an employee who has other unrelated responsibilities. The payroll office or unit, however, must never be under the supervision of the personnel or timekeeping office."

## Recommendations

The RCDA should:

1. Establish formal written policies and procedures for issuing any additional payments to employees that clearly define the basis and methodology used to determine the payment amounts, including consideration of employees' performance evaluations and lengths of employment, and require supporting documentation, such as justification memos, to be maintained in employees' personnel files;

**RCDA Response:** "This Administration understands and values the Comptroller's insights into the need for a written internal policy to explain and govern the issuance of one-time payments and will draft and incorporate a written policy in the near future to comply with this finding. . . . [N]otes regarding individual performances, individual sheets with notes from managers, supervisors, and the DA as well as with metrics about individual success were kept on each employee documenting the amount and justification of their one-time payment. . . . In addition, each employee's evaluation appeared in their personnel records and was also a contributing factor to their meritorious 'one-time payment.' We do agree with the auditors that each individual's sheet should be kept in their personnel file in addition to their evaluation and had already undertaken the implementation of a 'personnel modification form' in the Fall of 2017 that is designed to be a record in each individual's personnel folder documenting any employee status or salary change or one-time payment issuance. Going forward, these forms will be used in conjunction with evaluations and signed by employees,

the Chief Administrative ADA, and the DA to document these payments and any other employee status notification.”

2. Ensure that employees requesting overtime and supervisory personnel responsible for reviewing and approving overtime requests comply with RCDA policies and procedures;

**RCDA Response:** “As noted in the Audit Report, RCDA had previously identified this issue and has taken corrective action to provide better oversight for the approval of overtime. We are happy to hear that since the implementation of new oversight and a mandatory refresher training course for all staff that there has been significant improvement. As noted in this finding, we will also appropriately tailor our internal policy language to more accurately reflect the overtime policy during lunchtime to allow for unavoidable occasions when employees are detained in court, with a victim, or on a time-sensitive project that is unavoidable.”

3. Review CityTime access for all of its employees and ensure that only appropriate employees have the ability to manually enter their start and end times into a CityTime timesheet and that non-managerial employees other than ADAs, Detective Investigators, and Community Partnership staff must use a CityTime hand-scanner or web-clock to record their daily time;

**RCDA Response:** “We have made adjustments to our CityTime settings, as recommended, to remedy this finding and prevent future inaccurate timekeeping reports.”

4. Ensure that all employee timesheets are approved prior to processing payroll; and

**RCDA Response:** “Recognizing this reoccurring issue ourselves, we had already begun to enforce in late 2017/early 2018 the policy of not allowing an employee to receive a salary payment without an approved City Time timesheet being submitted. We should also note, however, that we will also amend our internal policy to reflect a more realistic timeline and policy for the approval of timesheets during the week.”

5. Ensure that payroll processes are adequately segregated in accordance with Comptroller’s Directive #13.

**RCDA Response:** “We have made strides toward this recommendation by hiring an additional staff member for the Human Capital Division so that payroll and timekeeping are segregated between two different employees. However, we acknowledge that both of these employees report to the same supervisor (the Director of Human Capital) who at present is the only individual within our small agency who has the expertise and knowledge to troubleshoot and provide guidance on these areas at a senior level.”

**Auditor Comment:** The RCDA’s payroll function is still not organizationally separate from its personnel and timekeeping functions. The Director of Human Capital has access to timekeeping records that are the basis for bi-weekly payroll and can authorize personnel and payroll actions, which is contrary to Comptroller’s Directive #13, which states that “[a]n improperly organized payroll process can present many opportunities for the production of erroneous or fraudulent pay transactions.” Comptroller’s Directive #13 also states that “[i]f the size of the agency and the volume of work do not warrant a separate organizational unit, payroll may be part of the agency’s accounting, finance or

business office. In very small agencies with few employees, the payroll responsibility may be assigned to an employee who has other unrelated responsibilities. The payroll office or unit, however, must never be under the supervision of the personnel or timekeeping office.”

## OTPS Expenditures

### **Certain RCDA Expenditures Were Not Reasonable, Appropriate, Adequately Supported, or Properly Authorized**

The RCDA Internal Control Procedures require employees to submit expenditure requisition forms for all requested expenditures. These forms, when properly completed, describe and attest to the office’s need for the requested expenditures and document the approval of the requesting employee’s Bureau Chief, the Director of Administration, and, for expenditures of more than \$1,000, an RCDA executive. The RCDA Procurement Unit is responsible for procuring goods and services in accordance with PPB Rules, receiving them, reviewing invoices to ensure the accuracy of pricing and terms, and approving payment. However, based on our review of 121 sampled expenditures, totaling \$1,156,222, made during Calendar Years 2015 through 2017, the RCDA did not ensure that these controls were in use and working.<sup>5</sup> Consequently, the RCDA made 78 expenditures, totaling \$590,909 (51.1 percent), that were not reasonable, appropriate, adequately supported, or properly approved, or were affected by a combination of those issues as follows and as detailed in Table VI below:

- The RCDA made 54 expenditures, totaling \$492,651 (42.6 percent), that were not adequately supported because there were either: (1) no expenditure requisition forms, which are required for such expenditures and should have described and attested to the office’s need for the expenditures (43 expenditures, totaling \$461,610); (2) no forfeiture or lease agreements (3 expenditures, totaling \$17,427); (3) no invoices or receipts (7 expenditures, totaling \$12,614); or (4) no expense report (1 expenditure totaling \$1,000).
- The RCDA made 55 expenditures, totaling \$515,855 (44.6 percent), that were not properly approved because there were no expenditure requisition forms (43 expenditures, totaling \$461,610) or there were expenditure requisition forms that lacked all required signatures (12 expenditures, totaling \$54,245).
- The RCDA made 15 expenditures, totaling \$52,215 (4.5 percent), that were not reasonably priced because they were not procured through available City requirements contracts, exceeded quoted prices, included late fees and sales tax, or exceeded prescribed rates for employee recognition events and conferences.
- The RCDA made 17 expenditures, totaling \$19,167 (1.7 percent), that were not appropriate because they were not for RCDA office use (6 expenditures, totaling \$14,002) or were for social functions including dinners and employee team building events (11 expenditures, totaling \$5,165). With regard to social functions, Comptroller’s Directive #6 states that “[c]osts incurred in connection with swearing-in ceremonies, testimonial dinners, funerals . . . retirement or farewell parties, and other similar events, are

<sup>5</sup> For Calendar Years 2015 through 2017, we sampled 121 expenditures totaling \$1,156,222. The sample consisted of 50 expenditures processed through FMS totaling \$566,658, and 71 expenditures processed through agency-administered bank accounts totaling \$589,564.



considered social functions that are inappropriate City expenditures.” After we presented our findings, the RCDA stated that there was a training component to the employee team building events. On September 8, 2017, the RCDA held a training session for legal staff in the morning, team building events during the middle of the day, and an employee recognition event in the afternoon.<sup>6</sup> Although the training session, team building events, and employee recognition event were generally held on the same day, their related expenditures are separate and distinct and subject to different rules. Training sessions and employee recognition events are permissible expenditures subject to spending limits and other restrictions prescribed by Comptroller’s Directive #6. However, activities that the RCDA has identified as “team building events”—painting classes, escape rooms, a luncheon, a trip to the Staten Island Zoo, and a yoga class—appear to be social functions. Comptroller’s Directive #6 Section 14.6 states that social functions “are inappropriate City expenditures. Generally, these items may not be charged to an agency.” Further, Comptroller’s Directive #6 Section 2.4 states that “[i]t is expected that agencies will regularly review their policies and, as appropriate, establish Agency Policies with respect to costs in order to limit the expenditure of public funds and appropriately manage the budgetary impact of these costs to the agency.”

With regard to the expenditures that were not for RCDA office use, the RCDA could not account for 19 pieces of equipment, totaling \$14,002, including an Apple iMac computer, and camera and lighting equipment and accessories. These pieces of equipment were not supported by requisition forms attesting to the office need and approval. After presenting our findings to the RCDA, the RCDA stated that it would contact DOI and the United States Attorney’s Office for the Eastern District of New York to determine whether these items were identified during their investigation and prosecution of the former RCDA Procurement Director.

Eleven of these 17 expenditures, totaling \$5,165, were processed through agency-administered bank accounts. The only record of these expenditures in the City’s books and records is a lump-sum transfer from the City Treasury to an agency-administered bank account. Consequently, these expenditures are inherently less transparent and subject to an increased risk of misuse and misappropriation. The issues related to agency-administered bank accounts are discussed in greater detail below.

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<sup>6</sup> For the RCDA Criminal Court staff, the team building events were held on September 9, 2017 because their staff was required to be in court on September 8, 2017.

**Table VI**

Expenditures That Were Not  
Reasonable, Appropriate,  
Adequately Supported, or Properly  
Authorized for Calendar Years 2015  
through 2017

Calendar Year	Total Expenses Reviewed		Total Expenses that Were Not Reasonable, Appropriate, Adequately Supported, or Properly Approved, or Were Affected by a Combination of Those Issues		% of Total Dollar Amount With One or More Issues
	#	\$	#	\$	
2015	28	\$ 301,955	21	\$ 243,414	80.6%
2016	40	\$ 206,842	32	\$ 187,900	90.8%
2017	53	\$ 647,425	25	\$ 159,595	24.7%
<b>Total</b>	<b>121</b>	<b>\$ 1,156,222</b>	<b>78</b>	<b>\$ 590,909</b>	<b>51.1%</b>

**RCDA Response:** “Regarding the expenses deemed ‘inappropriate’ – specifically those expended on September 8<sup>th</sup> and September 9<sup>th</sup> 2017 for RCDA’s annual retreat, training, and team-building day – we disagree with the Comptroller’s analysis that these expenses were ‘social functions’ and separate events from our training and team building components of the day. . . . Recognizing that we did not host a retreat in 2016, but that our staff had grown by an enormous amount, that we had reorganized and overhauled many of our bureaus and units, installed many new leaders and policies as part of the new administration, and that our ADAs in particular had been exposed to a particularly grueling couple of years in 2016-2017 with a dramatic number of homicides, shootings, and domestic violence cases on their desks . . . So, yes, once a year, we allow our staff a day that includes intensive educational training as well as an hour or two of self-care and teambuilding with their colleagues. This is a very small amount of money well-spent in our opinion by the City of New York, on one day a year, to reinforce the humanity and mission of the important work of our office and to show our employees we recognize the work they do, the emotional and psychological strain it places on them and their families, and reinforce and promote the morale of our agency.”

**Auditor Comment:** As noted in the RCDA’s response, the RCDA disagrees with our analysis and conclusion that certain expenditures for “team building events” were for social functions, which Comptroller’s Directive #6, Section 14.6, states “are inappropriate City expenditures. . . .[that] [g]enerally . . . may not be charged to an agency.” We considered the RCDA’s comments but there is no basis for us to modify the finding and conclusion.

## The RCDA Charged Purchases to Incorrect Object Codes

Comptroller's Directive #24, *Agency Purchasing Procedures and Controls*, Section 4.1 states that "Purchasing Documents serve two purposes: they represent an agreement with a vendor to purchase goods or services, and are used to record the accounting event associated with the purchase. Purchasing Documents consist of Requisitions, Purchase Documents, FMS Contract Documents, and Payment Vouchers." Section 6.0 of the Directive also states that "Payment Voucher approvers must ensure that . . . [t]he appropriate accounting and budget codes are being charged. This includes charging the correct unit of appropriation and correct object code within that unit of appropriation."

As previously mentioned, Directive #24, Section 6.0, states that "Payment Vouchers require two approvals by FMS users . . . . Each approver acts as a check on the other's decisions . . . . [A]pprovers verify . . . that the payment request and its supporting documentation are accurate."

However, based on our review of the supporting documentation for 50 sampled expenditures processed through FMS and 50 sampled expenditures processed through agency-administered bank accounts during Calendar Years 2015 through 2017, the RCDA charged purchases to incorrect object codes, primarily object code 460, which should be used for special expenditures related to criminal justice activities.

Moreover, the RCDA's two FMS Payment Voucher approvers both failed to ensure that the RCDA charged purchases to the correct object code. That appears to have happened, in part, because one of the two approvers was the same RCDA employee who was responsible for determining the object code to be recorded on purchasing documents.

Charging purchases to incorrect object codes may hinder management's ability to plan for future spending and prevents City agencies, oversight authorities, and the public from seeing how City agencies spend their money, as detailed in the DOI report entitled "*A Report on Theft of Funds by the Former Procurement Director of the Richmond County District Attorney's Office*," issued August 3, 2017, which states in part,

City agency budgets are separated into various categories of funds that are assigned distinct billing object codes for the purpose of tracking the source of funds for expenditures. As set forth in court filings, [the former RCDA Procurement Director] fraudulently assigned object codes to AMEX expenditures and provided this information to RCDA staff for entry of the codes into FMS. To conceal his unauthorized personal AMEX charges, [the former RCDA Procurement Director] recorded or directed RCDA staff to record a number of those charges under the object code 460, which refers to the Special Expenditures account used for payment of confidential expenditures such as witness protection, paid informants, and surveillance operations. DOI found that RCDA did not review whether transactions were properly posted to object code 460.

### **Object Codes Recorded in FMS**

We reviewed 50 sampled expenditures, totaling \$566,658, which were processed through FMS during Calendar Years 2015 through 2017.

Our review found that the RCDA did not charge 21 of the 50 sampled expenditures, totaling \$105,824, to the correct object code as detailed in Table VII below. Of those 21 expenditures, the RCDA improperly charged 18 expenditures, totaling \$83,284, to object code 460. The New York

City Chart of Accounts, which provides object code numbers and descriptions for OTPS expenditures, defines object code 460 as “special expenditures relative to elected officials and other criminal justice activities.” As stated in DOI’s report cited above, 460 special expenditures would include expenditures for witness protection, paid informants, and surveillance operations. However, the 18 expenditures that were improperly coded as object code 460 included purchases of “Printing Supplies” (object code 101), “Equipment - General” (object code 300), “Purchases of Data Processing Equipment” (object code 332), “Telephone and Other Communications” (object code 402), and “Maintenance and Repairs - Motor Vehicle Equipment” (object code 407).

### ***Agency-Administered Bank Accounts***

In addition to charging individual expenditure transactions to object code 460 in FMS, the RCDA also transfers a portion of its City OTPS funds to an agency-administered “460 bank account” and charged those transfers to object code 460. The RCDA Director of Administration stated that the “460 bank account” is used for confidential case related expenses that cannot be processed through FMS due to the nature of the expenses. Therefore, the vendor name and underlying nature of the purchase for any of the payments processed out of the “460 bank account” is not apparent except by reviewing the RCDA’s internal books and records.

We reviewed 50 sampled payments made from the RCDA’s agency-administered bank accounts. Of the 50 sampled payments, 12 payments, totaling \$35,792, were made from the RCDA 460 bank account. Our review of those 12 payments found that 7 payments, totaling \$10,923 (30.5 percent), were not related to criminal justice activities or confidential in nature and therefore should not have been paid from the 460 bank account as detailed in Table VII below. The seven payments were for hotel, lodging, and travel costs related to a seminar, fees associated with office representation at three events, vehicle window tinting and installation of lights and sirens, and staff t-shirts. Moreover, based on our review, the three payments of fees associated with office representation at events are considered costs incurred in connection with social functions and are inappropriate City expenditures, according to Comptroller’s Directive #6, Section 14.6.

While 460 bank accounts are permissible, funds processed through them are inherently less transparent and subject to an increased risk of misuse and misappropriation. The only record of 460 bank account expenditures in the City’s books and records is a lump-sum transfer from the City Treasury to an agency-administered bank account. The nature and amount of 460 bank account expenditures and payees can be seen only by examining RCDA purchasing and bank account records.

After we presented our findings to the RCDA, the RCDA acknowledged that the “460 bank account” was used for expenditures that were not related to criminal justice activities or confidential in nature. The RCDA informed us that it now uses its Demand bank account to process expenditures that are not related to criminal justice activities or confidential in nature.

**Table VII**

Purchases Charged to Incorrect  
Object Codes for Calendar Years  
2015 through 2017

Calendar Year	Total Object Codes Reviewed		Total Purchases Charged to Incorrect Object Codes		% of Total Dollar Amount Charged to Incorrect Object Code
	#	\$	#	\$	
2015	25	\$ 270,528	14	\$ 73,879	27.3%
2016	23	\$ 164,153	10	\$ 18,864	11.5%
2017	14	\$ 167,769	4	\$ 24,005	14.3%
<b>Total</b>	<b>62</b>	<b>\$ 602,450</b>	<b>28</b>	<b>\$ 116,748</b>	<b>19.4%</b>

### **The RCDA Improperly Used Its Demand Account**

Similar to its 460 bank account, the RCDA transfers a portion of its City OTPS funds to an agency-administered “Demand bank account.”

The RCDA does not have written policies and procedures that detail the purpose of the RCDA Demand bank account and the types of expenditures that should be processed from it. According to the RCDA Director of Administration, the Demand bank account is a City-funded bank account that is used for employee reimbursements and small purchases. Further, the Demand bank account opening letter states that the account will be used for confidential investigative actions, petty cash reimbursements, and miscellaneous expenses.

The RCDA used its Demand bank account to process only a very limited number of expenditures in Calendar Year 2015 and did not use it at all in Calendar Year 2016. We reviewed all 22 expenditures, totaling \$17,455, processed through the RCDA Demand bank account in Calendar Year 2017. Based on our review, 8 expenditures, totaling \$2,615 (15 percent), were for inappropriate uses of City funds. All eight expenditures were for team building exercises or retreats including painting classes, escape rooms, a luncheon, a trip to the Staten Island Zoo, and a yoga class, which are not permissible. According to Comptroller’s Directive #6, Section 14.6, “[c]osts incurred in connection with swearing-in ceremonies, testimonial dinners, funerals . . . retirement or farewell parties, and other similar events, are considered social functions that are inappropriate City expenditures.” Similar to the 460 bank account, the only record of Demand bank account expenditures in the City’s books and records is a lump-sum transfer from the City Treasury to an agency-administered bank account. The nature and amount of Demand bank account expenditures and payees can be seen only by examining RCDA purchasing and bank account records.

After we presented our findings, the RCDA stated that there was a training component to the employee team building events. However, as previously noted, the training session and social functions are separate and distinct and subject to different rules. We consider the functions the RCDA identified as team building events to be social functions and therefore, inappropriate City expenditures.

## The RCDA Improperly Used Miscellaneous Payment Vouchers in FMS

The RCDA inappropriately processed purchases of supplies, equipment, materials, and services using Miscellaneous Payment Vouchers in FMS, which is prohibited by Comptroller’s Directive #24. According to Directive #24, Section 6.3, “Miscellaneous Payment Vouchers . . . may be used only when estimated or actual future liability is not determinable, or a contract or a Purchase Document is not required or applicable.” Directive #24, Section 6.0, states that “Payment Voucher approvers must ensure that . . . the correct voucher type is being used . . . .” Furthermore, Directive #24, Section 6.3.1, states that an inappropriate use of a Miscellaneous Payment Voucher would be for “[t]he purchase of supplies, equipment, materials and services for which an FMS Contract Document and/or Purchase Document is required and applicable.”

However, our review of 50 sampled expenditures, totaling \$566,658, processed through FMS during Calendar Years 2015 through 2017 found that 31 expenditures, totaling \$387,948 (68.5 percent), were for the purchase of supplies, equipment, materials, or services for which a contract or invoice was available and were inappropriately processed through FMS using a Miscellaneous Payment Voucher when other types of payment vouchers should have been used, i.e., a Payment Request Commodity Voucher (PRC2) or a General Contract Voucher (CT1). Had the RCDA used PRC2 or CT1 Vouchers as required, the RCDA would have encumbered funds for the total amount of the expenditure or the total contract value. By encumbering funds, agencies record their future liabilities and ensure that sufficient funds are available in their budgets to cover their expenditures.

Table VIII below shows the RCDA’s inappropriate use of Miscellaneous Payment Vouchers for Calendar Years 2015 through 2017.

**Table VIII**

Inappropriate Use of Miscellaneous  
Payment Voucher for Calendar  
Years 2015 through 2017

<b>Calendar Year</b>	<b># of Expenses Reviewed</b>	<b>Total Dollar Amount</b>	<b># of Expenses with Incorrect Voucher Type</b>	<b>Total Dollar Amount</b>	<b>% of Total Dollar Amount with Incorrect Voucher Type</b>
2015	23	\$ 258,316	16	\$ 179,227	69.38%
2016	17	\$ 157,032	11	\$ 124,113	79.04%
2017	10	\$ 151,310	4	\$ 84,608	55.92%
<b>Total</b>	<b>50</b>	<b>\$ 566,658</b>	<b>31</b>	<b>\$ 387,948</b>	<b>68.46%</b>

As shown in Table VIII above, while the RCDA’s inappropriate use of Miscellaneous Payment Vouchers has improved over the course of our scope period, the problem still exists. Directive #24, Section 6.0, states that

Payment Vouchers require two approvals by FMS users as assigned by the agency. Each approver acts as a check on the other’s decisions; therefore,



appropriate consideration must be made when assigning employees approval authority. Based on their knowledge of agency operations, approvers verify that the expenditure is necessary and reasonable, that the payment request and its supporting documentation are accurate . . .

However, the RCDA's two FMS Payment Voucher approvers failed to ensure prior to approving payments in FMS that the correct voucher type was being used. Inappropriate use of Miscellaneous Payment Vouchers can contribute to a distortion of the City's financial records, and where used to pay for contracted services, understates the City's outstanding obligations.

After we presented our findings to the RCDA, the RCDA acknowledged that it inappropriately processed expenditures through FMS using Miscellaneous Payment Vouchers when other types of payment vouchers should have been used. Primarily, the RCDA stated that it did not use CT1 Vouchers as required because it did not register certain contracts with the Comptroller's Office. The RCDA further stated that it "completely corrected this issue - now all contracts are registered with the comptroller's office . . . and payment vouchers are correctly administered."

## **The RCDA Did Not Perform Bank Reconciliations for Four Agency-Administered Bank Accounts**

The RCDA did not perform any bank reconciliations for its three forfeiture fund bank accounts and its escrow bank account during our entire 36-month scope period (Calendar Years 2015 through 2017). Bank reconciliations compare bank account balances to book balances and account for differences. Comptroller's Directive #11 states that

[a]ll of the City's accounts must be reconciled on a monthly basis in order to ensure that City's revenues and expenditures are properly accounted for. . . . Bank reconciliations must be performed, signed, and dated by the preparer on a monthly basis, and only by persons who do not:

- Approve invoices or otherwise authorize disbursements.
- Sign checks or approve electronic fund transfers.
- Collect cash receipts, make deposits or otherwise perform accounting functions associated with recording in the original books of account (e.g., Cash Receipts and Disbursements Journal, General Ledger, or subsidiary ledgers). . . .

Supervisors must review completed bank reconciliations in efforts to promote adequate controls over the bank reconciliation process. Supervisors must initial or sign and date the bank reconciliations not only as evidence to indicate that the reconciliation has been reviewed, but also indicating they have verified the accuracy and completeness of the data presented.

The RCDA Internal Control Procedures state that the Chief Fiscal Officer (CFO) is responsible for reconciling bank statements monthly. However, the RCDA CFO should not have been responsible for performing monthly bank reconciliations because he is also responsible for writing checks, making deposits, and recording entries in the RCDA's books and records. Further, the RCDA did not charge another staff member with reviewing the CFO's monthly bank reconciliations

as required. Consequently, the RCDA was not aware that the CFO did not perform monthly bank reconciliations for four of the RCDA's six agency-administered bank accounts.

After we presented our findings to the RCDA, the RCDA stated that it would perform monthly bank reconciliations going forward.

Table IX below lists each of the RCDA's bank accounts, a description of the accounts, and the total dollar amount processed through each account for Calendar Years 2015 through 2017.

**Table IX**

RCDA Bank Account Descriptions  
and Total Dollar Amount Processed  
through Each Account for Calendar  
Years 2015 through 2017

<b>Bank Account</b>	<b>Description of the Account</b>	<b>Total \$ Amount Processed through the Account for Calendar Years 2015 through 2017</b>	<b>Monthly Bank Reconciliations Performed?</b>
Escrow	Holding account for funds obtained during investigations	\$4,367,383	No
Justice	Federal asset forfeiture funds	\$856,746	No
460 Special Expenditures	City-funded confidential expenditures	\$619,132	Yes
State	State asset forfeiture funds	\$549,239	No
Treasury	Federal asset forfeiture funds	\$121,554	No
Demand	City-funded confidential investigative actions, petty cash reimbursements, and miscellaneous expenses	\$17,922	Yes

By forgoing monthly bank reconciliations, the RCDA incurs the risk that it may not detect accounting and bank errors and misappropriation of funds.

## Recommendations

The RCDA should:

6. Ensure that all agency expenditures are in compliance with the documentation requirements stated in Comptroller's Directive #24;

**RCDA Response:** Please see response to Recommendation #8.

7. Ensure that all agency expenditures comply with Comptroller's Directive #6;

**RCDA Response:** Please see response to Recommendation #8.

8. Ensure that requisition forms are maintained for all expenditures processed through FMS and all payments made from agency administered bank accounts and that they clearly state the need for the purchase and demonstrate that the proper authorizations were obtained prior to the office's making the requested payment;

**RCDA Response:** "Almost all of the expenditures found to be not properly authorized, not adequately supported, and not reasonably priced were made prior to June 2017. As discussed, since that date, new leadership has been put in place as well as new processes and procedures. These procedures include mechanisms to ensure proper authorization of an expenditure prior to its purchase as well as a monthly review of all expenses to ensure all policies, supporting documentation, and directives were adhered to and available for record keeping purposes."

9. Investigate the 19 pieces of equipment currently unaccounted for, including an Apple iMac computer, and camera and lighting equipment and accessories and refer to the proper authorities, if necessary;

**RCDA Response:** "As noted in the report, RCDA contacted DOI and the FBI and recently received notification that they were able to match 9 of the 19 items listed as similar to those items found as part of their investigation. Without serial numbers available an identical match is not possible to make, but SKU #, Manufacturer Name, and Product Description all matched."

10. Provide training to all staff who have the ability to process and approve Payment Vouchers, including training on object codes and voucher types;

**RCDA Response:** "Since June 2017, we have conducted numerous trainings and meetings with our procurement staff to review our internal fiscal procedures and have added a number of checks and balances to our procedures to prevent errors in our object codes."

11. Periodically review Payment Vouchers to ensure that staff adhere to Comptroller's Directive #24 and that the correct types of vouchers are used;

**RCDA Response:** "It is important to note that there were no incorrect or improper uses documented since June 2017. As referenced, RCDA acknowledges that under the former Administration and former Procurement Director contracts that should have been registered with the Comptroller were systematically not registered, and to circumvent this process payments were made by processing them as Miscellaneous Payment Vouchers. This practice has been ceased since the overhaul of our administrative division in June 2017—all contracts are now registered."

12. Charge purchases to the correct object code in accordance with Comptroller's Directive #24;

**RCDA Response:** "Since June 2017, we have conducted numerous trainings and meetings with our procurement staff to review our internal fiscal procedures and have added a number of checks and balances to our procedures to prevent errors in our object codes. It is notable that of the 21 object codes marked as incorrect in this audit, only one was found after June 2017, and we have a difference of opinion with the auditors as to whether it is in fact the correct object code."

**Auditor Comment:** The RCDA stated that its purchase of printing services for its 2016 Annual Report was charged to the correct object code. The RCDA coded this purchase as “Books – Other” (object code 337). The New York City Chart of Accounts defines object code 337 as “the purchase of all textbooks and workbooks; also, periodicals, magazines, subscriptions, newspapers, etc. for other than library purposes.” However, the correct object code for this purchase is “Printing Services – Contractual” (object code 615), which the New York City Chart of Accounts defines as “all contractual printing and printing related costs other than printing supplies . . . including stationery, forms, bulletins, manuals, pamphlets, etc.”

13. Review its process of transferring a portion of its OTPS budgetary funds to its internal “460” bank account and ensure that all funds that are transferred to this bank account are for payments related to criminal justice related activities that could not have been paid through FMS;

**RCDA Response:** “Regarding the use of the 460 account – since June 2017 we have made herculean efforts to overhaul the too widespread use of this account and continue to make changes to this end. We have moved a significant number of expenses to FMS and our Demand Account from our 460 account, and continue to identify expenses that could be considered safely non-confidential to other payment sources.”

14. Establish formal written policies and procedures regarding the usage of the Demand account and periodically review the expenditures from the account to ensure that the account is being used appropriately and in accordance with its intended purpose; and

**RCDA Response:** “In response to this recommendation we will draft a written policy that outlines the use of the Demand account as well as our other bank accounts. As noted, the Demand Account was dormant until July 2017 when it was revived as part of our overhaul of our fiscal practices and overuse of the 460 account.”

15. Ensure that monthly bank reconciliations are performed for all RCDA bank accounts in accordance with Comptroller’s Directive #11.

**RCDA Response:** “Since July 2017, the Chief Administrative ADA and Director of Administration perform monthly reviews and inspections of all credit card expenses, checking account expenses, and FMS payments. In addition to each individual expense being reviewed along with its requisition form, its cost is matched to the corresponding statement in the case of the credit card and checking accounts. To reflect the Comptroller’s finding in this Audit Report, the summary page of these monthly sheets will incorporate a final bank reconciliation of total amounts and expenses in addition to the individual expense reconciliation.”

## DETAILED SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The scope of this audit covered the period of January 1, 2015 through December 31, 2017.

To obtain an understanding of the financial and operating procedures with which the RCDA must comply, we reviewed relevant provisions of Comptroller's Directives #1, #6, #11, #13 and #24, as well as the New York City Procurement Policy Board's *Procurement Policy Board Rules*, the New York City Chart of Accounts, and the RCDA's internal policies and procedures, all of which also formed our audit criteria. We also requested and reviewed prior audits, including prior Comptroller's Office Audit Reports, and noted findings and conditions in those audits that addressed matters relevant to this current audit.

To gain an understanding of the RCDA's internal controls over PS expenditures, we conducted interviews with relevant agency officials from the Human Capital Unit. We conducted walkthrough meetings with the Human Capital Unit to gain an understanding of their roles and responsibilities for processing personnel, timekeeping, and payroll actions and observed their biweekly payroll process as well as their hiring and termination processes. During our payroll walkthrough we reviewed the PMS reports maintained and utilized by the Human Capital Unit during the payroll process, and the steps taken to reconcile payroll amounts and investigate any discrepancies. During our hiring and termination walkthrough we reviewed the RCDA's protocols for filling vacancies and terminating employees and the supporting documentation that goes along with each.

We obtained a City Human Resources Management System (CHRMS) Pay Detail Report for Calendar Years 2015 through 2017 and identified reoccurring regular gross, overtime, and longevity payments, and miscellaneous payment adjustments (i.e., additional payments) made to RCDA employees. We met with the RCDA Chief Administrative ADA and the Director of Human Capital to discuss the nature of and basis for making additional payments to RCDA employees. We also obtained a spreadsheet that the RCDA Chief Administrative ADA used to determine additional payments made to employees for Fiscal Years 2016 and 2017. According to RCDA officials, the RCDA made payments to its employees based, in part, on their performance evaluations, notable contributions, titles, and years of experience. For Fiscal Years 2016 and 2017, the RCDA Chief Administrative ADA informed us that she used a spreadsheet that recorded this information as a basis for determining additional payments. We reviewed the RCDA Chief Administrative ADA's spreadsheet and identified and quantified payments made to employees who were cited for poor performance or other issues and employees who were newly employed. We considered employees to be newly employed if they worked for the RCDA for less than six months of the fiscal year.

In addition, we met with RCDA officials to discuss the source of funds used to make additional payments to its employees. To gain an understanding of how the RCDA determines its projected PS expenditures for each fiscal year, we requested and reviewed a copy of the RCDA Personal Service Projections Spreadsheet for our scope period. The Personal Service Projection

Spreadsheet details the RCDA's year-to-date PS expenditures, anticipated PS costs, PS funding from all sources, and an estimated surplus or deficit. We also met with the RCDA CFO to conduct a walk-through of the RCDA's June 30, 2017 Personal Service Projection. During our walkthrough, we reviewed how the RCDA determined projected PS funding amounts, year-to-date PS expenses, anticipated future PS expenses, and PS funding surplus or deficit amounts.

We also obtained and reviewed the RCDA request made to the Council of the City of New York to fund 39 new positions and related supporting documentation and correspondence. The RCDA made this request at two separate budget hearings on March 8, 2016 and May 23, 2016 and was allocated the funds prior to Fiscal Year 2017.

We requested and obtained a CityTime Overtime Request Report for all overtime requests that were approved final for Calendar Years 2015 through 2017. We reviewed the comments section of all approved overtime requests and identified and quantified the number of instances for which requests were for time worked at lunchtime and for which requests did not state a reason for the overtime as required. We also quantified the number of hours associated with these requests.

To determine the manner in which non-managerial employees were recording their work hours each day (manual, web clock, or hand scanner entry), we obtained and reviewed a CityTime Time Entry Detail Report for the following payroll periods: October 18, 2015 to October 31, 2015; October 16, 2016 to October 29, 2016; and October 15, 2017 to October 28, 2017. These payroll periods were judgmentally selected based on the fact that they are each a complete payroll period without any holidays. We quantified the number of instances that non-managerial employees, other than ADA's, Detective Investigators, and Community Partnership staff, manually entered their time into their CityTime timesheet or used the web clock or hand scanner. The RCDA Chief Administrative ADA informed us that all employees were given permission to enter their time manually on October 20, 2017 and certain employees were given permission to enter their time manually on October 23, 2017 because they reported to an offsite location. Therefore, we excluded time entries for these days from our analysis.

To determine whether all timesheets were approved in a timely manner we requested and obtained a CityTime Timesheet Status Detail Report for the following payroll periods: October 18, 2015 to October 31, 2015; October 16, 2016 to October 29, 2016; and October 15, 2017 to October 28, 2017. These payroll periods were judgmentally selected based on the fact that they are each a complete payroll period without any holidays. We reviewed and compared the date that each timesheet was approved to the pay date for that timesheet, and quantified the number of instances a timesheet was approved following the pay date.

To gain an understanding of the RCDA internal controls over OTPS expenditures, we conducted interviews with relevant agency officials from the Procurement and Administration Units. We also conducted an observation of the RCDA's Quicken database, which is used to track all payments made through agency bank accounts. To determine the reliability of the RCDA's Quicken database and bank account ledgers, we requested and received copies of bank statements for all six RCDA bank accounts and compared the statements to the RCDA's Quicken database and ledgers. We also requested and obtained all bank reconciliations performed on all agency-administered bank accounts and determined whether the required reconciliations were performed on all accounts.

To determine the population of OTPS expenditures, we obtained a City of New York FMS listing of the RCDA's City and grant-funded expenditures for our scope period. Similarly, we requested and obtained the RCDA's bank account ledgers detailing expenditures paid through agency bank accounts using federal and State asset forfeiture funds, escrow funds, as well as City funds for



the same period. Payments made to American Express were eliminated from our population because they were part of an ongoing investigation into the former Director of Procurement for theft of agency funds and were included in an investigation conducted by DOI and subsequent prosecution by the United States Attorney's Office Eastern District of New York.

To determine whether the RCDA's OTPS expenditures processed through FMS were reasonable, appropriate, adequately supported, properly approved, accurately coded in FMS according to the nature of the purchase, and comply with City purchasing rules, we selected a sample of 50 expenditures and obtained and reviewed supporting documentation for each expenditure. Of the 50 expenditures, we decided that half of our initial sample would be selected from those that were coded as object code "460" in FMS, based on additional risks identified in our data reliability testing, lack of oversight mentioned in a prior DOI investigation and report, and results of our prior inventory audit of the RCDA (Audit FK17-126A, issued on December 27, 2017). The remaining 25 expenditures of our initial sample were selected from all other object codes besides "460". To select the 25 expenditures from object code "460" we judgmentally selected all 10 expenditures that were made from the vendor Adorama and exceeded \$250; randomly selected 5 expenditures that exceeded \$10,000; randomly selected 5 expenditures that were greater than \$1,000 and less than \$10,000; and randomly selected 5 expenditures that were between \$250 and \$1,000. To select the 25 expenditures from all other object codes besides "460" we randomly selected 9 expenditures that exceeded \$10,000; 8 expenditures that were greater than \$1,000 and less than \$10,000; and 8 expenditures between \$250 and \$1,000.

To determine whether the RCDA's OTPS expenditures processed through their bank accounts are reasonable, appropriate, adequately supported, properly approved, and comply with City purchasing rules, we selected a sample of 50 expenditures and obtained and reviewed supporting documentation for each expenditure. To determine our sample to be used for testing, we eliminated all expenditures with a value of less than \$250 from our population based on materiality, and summarized all remaining payment data to determine a proportional distribution based upon number of transactions during our scope period. The proportional distribution was used to determine the number of sample payments selected from each bank account. As a result we randomly selected 14 expenditures from the State Forfeiture Account, 12 expenditures from the 460 Special Expenditures Account, 11 expenditures from the Justice Forfeiture Account, 9 expenditures from the Escrow Account, 3 expenditures from the Treasury Account, and 1 expenditure from the Demand Account.

To determine whether the sample of expenditures from FMS and RCDA bank accounts were reasonable we reviewed all relevant information regarding the pricing of the underlying expenditure, which would include reviewing City requirements contracts, RCDA contracts, pricing quotes and extensions, invoice amounts, sales tax and late fees paid, and if bidding was performed when required. To determine whether the sample of expenditures from FMS and RCDA bank accounts were appropriate, adequately supported, and properly authorized we reviewed all invoices, receipts, and contract information, as well as internal RCDA requisition forms, which would state the need for the purchase and would document that the need was appropriate based on an RCDA executive-level approval.

To test whether the sample of expenditures processed through FMS were accurately coded we reviewed all supporting documentation and determined the underlying nature of the expense. We then reviewed the object code that was used by the RCDA in FMS and determined whether that code accurately depicted the expenditure.

To test whether the sample of expenditures processed through FMS were processed using the correct voucher type, we reviewed all supporting documentation and determined whether an

invoice or contract was available for the purchase. We then reviewed the voucher type that was used by the RCDA for each expenditure and noted any instances in which a Miscellaneous Payment Voucher was used for expenditures in which a vendor invoice or contract was available.

We requested and obtained supporting documentation for all checks paid from the Demand account during our scope period. We reviewed the supporting documentation and determined whether each payment was an appropriate use of City funds and was in accordance with the intended use of the bank account.

The results of the above tests, while not projectable to their respective populations whenever a sample was used, provided a reasonable basis for us to evaluate the RCDA's controls over its PS and OTPS expenditures.



Marjorie Landa  
Deputy Comptroller for Audit  
Office of the Comptroller  
Municipal Building  
1 Centre Street, Room 1100  
New York, NY 10007

**Re: Audit Report on the Financial and Operating Practices of the  
Richmond County District Attorney's Office's  
FK18-102A**

Dear Deputy Comptroller Landa:

We have reviewed the Draft Audit Report regarding the Richmond County District Attorney's Office's (RCDA) Financial and Operating Practices Practices completed by your office and received on June 8, 2018. Please find our written comments to the report's findings and each of the recommendations offered in the attached memorandum.

We would like to express our gratitude to the audit team who worked very diligently on this effort. They were professional and respectful in the exercise of their duties and we found their recommendations to be thoughtful and helpful for the improvement of our agency's practices. Should you have any questions regarding our comments or need any further information, please do not hesitate to reach out to me at (718) 556-4065 or [aowens@rcda.nyc.gov](mailto:aowens@rcda.nyc.gov). Thank you.

Sincerely,

A handwritten signature in black ink that reads "Ashleigh J. Owens". The signature is written in a cursive, flowing style.

Ashleigh J. Owens  
Chief Administrative Assistant District Attorney

## **Response of the Richmond County District Attorney's Office**

June 22, 2018

### **Audit Report on the Financial and Operating Practices of the Richmond County District Attorney's Office FK18-126A**

The audit conducted by the Comptroller's Office on the Richmond County District Attorney's Office's (RCDA) financial and operating practices covered years 2015-2017, a period of immense change, transition, and growth for RCDA as a new administration took the helm in the middle of this period under the leadership of District Attorney Michael E. McMahon. This change in leadership led to a significant budget increase for the office of nearly \$4 million dollars annually, which took effect in FY2017, that in turn led to an increase in staff by over 50%, significant renovation and modernization of current office facilities and purchasing of new equipment, significant policy changes, multiple reorganizations of staff to improve effectiveness and accountability, and many new managers and supervisors brought into the fold. Unsurprisingly, all of these changes have had a significant impact on the administrative functions of RCDA, our personnel, our physical space, and most significantly for this report, the financial and operating practices of our agency.

As is noted in the Audit Report, it is also an unfortunate reality that during this period RCDA was victimized by one of its managerial employees, William Nelson, the former Procurement Director, who stole over \$440,000 of city funds from the agency. Nelson was hired by former District Attorney Daniel Donovan as the Procurement Director of RCDA in 2006 and served in that capacity until June 2016 when he was removed from his managerial title during the transition to the McMahon Administration. He continued to serve as a Procurement Analyst until December 2016 when he resigned. Just weeks after his resignation, it was discovered that Nelson had made personal purchases using the agency's resources over a period of many years. Immediately upon discovering this misuse, District Attorney McMahon notified the Department of Investigation (DOI), which along with the Federal Bureau of Investigation (FBI) and United States Attorney's Office for the Eastern District of New York, undertook a 6 month investigation into the matter and found that the extent of the crimes and the substandard fiscal practices that allowed the thefts to take place also dated back a number of years. In June 2017, Nelson was arrested and charged for his crimes; he pleaded guilty in April 2018 and is scheduled to be sentenced in August 2018.

During the period from January 2017 to June 2017, RCDA cooperated fully with DOI, the FBI, and the U.S. Attorney's Office. RCDA also throughout this time worked with DOI to review and analyze the fiscal practices, procedures (or lack thereof), and mismanagement of funds that allowed the theft to take place. After Nelson was arrested in June 2017, DOI released a series of 20 recommendations to RCDA, which were immediately implemented, in addition to even more measures that RCDA independently undertook to ensure the oversight, reform, and accountability of RCDA's fiscal and operational matters.

RCDA requested this comprehensive audit of our fiscal and operational practices by the Comptroller's office as one of these measures.

Throughout 2017, as a result of these events, and as part of an ongoing transition, RCDA hired a new Procurement Director, a new Director of Infrastructure (who would oversee Facilities and IT, units which previously were overseen by the Chief of Administration), and a new Director of Human Capital. Although not required by the DOI recommendations, RCDA also appointed one of its Legal Executive Team members to serve as the Chief Administrative Assistant District Attorney in June 2017. This position now oversees the Director of Human Capital, Director of Infrastructure, and Director of Administration. This reorganization was undertaken in recognition of the evolving dynamic needs of the office overall, but specifically the need for better management, oversight and accountability of RCDA's administrative practices. In short, it was clear that RCDA needed to make management changes to bring the office in line with the directives and standards espoused by the Comptroller, Department of Investigation, and other relevant City governing authorities. Since June 2017, the Chief Administrative ADA and her staff have worked to quickly educate RCDA's staff and implement the new protocols and practices as well as to root out any other malpractices occurring within the agency.

Although many of the critiques in this Audit Report capture a snapshot of an agency in a state of great transition, growth, and flux, and one that for many years had little to no oversight or accountability structure in place, which left it vulnerable to attack, we are encouraged that many of the findings of this report reflect procedures and practices that predate June 2017. We have undertaken many new procedures with our new team since that date and recognize that this transition is still a work in progress. We welcome some of the thoughtful recommendations provided by the Comptroller in this report and have begun to incorporate those that are appropriate into our policy manuals.

Below please find a response to the findings of the audit report and each of the individual recommendations of the Comptroller:

**1. Finding: "RCDA Made Additional Payments to Its Employees That Were Unsupported by Formal Policies and Procedures or Written Justifications".**

*a. Recommendation: Establish formal written policies and procedures for issuing any additional payments to employees that clearly define the basis and methodology used to determine the payment amounts, including consideration of employees' performance evaluations and lengths of employment, and require supporting documentation, such as justification memos, to be maintained in employees' personnel files.*

i. Response: As the Audit Report notes, the issuance of "one-time payments" to employees does not contradict any City policies and procedures. This is a practice that RCDA and other agencies have engaged in for many years only when PS funds exist and are available at the end of the fiscal year. These funds are distributed on a meritorious basis to employees as a means of retaining skilled employees whose salaries are far below the market average because unfortunately this office had been

historically underfunded and unable to subsume the cost of increasing salaries across the board as would be necessary and warranted to prevent “brain drain.” This Administration understands and values the Comptroller’s insights into the need for a written internal policy to explain and govern the issuance of one-time payments and will draft and incorporate a written policy in the near future to comply with this finding.

- b. Response: We disagree with the Comptroller’s assessment that there was inadequate documentation to support these payments. To the contrary, in addition to the master spreadsheet referred to in the report with notes regarding individual performances, individual sheets with notes from managers, supervisors, and the DA as well as with metrics about individual success were kept on each employee documenting the amount and justification of their one-time payment. The template of these sheets was provided to Auditors. In addition, each employee’s evaluation appeared in their personnel records and was also a contributing factor to their meritorious “one-time payment.” We do agree with the auditors that each individual’s sheet should be kept in their personnel file in addition to their evaluation and had already undertaken the implementation of a “personnel modification form” in the Fall of 2017 that is designed to be a record in each individual’s personnel folder documenting any employee status or salary change or one-time payment issuance. Going forward, these forms will be used in conjunction with evaluations and signed by employees, the Chief Administrative ADA, and the DA to document these payments and any other employee status notification.
  
- c. Response: As the Audit Report notes, FY17 was an extraordinary year and certainly not the norm for RCDA’s PS Budget. A much needed and an historic 37% increase in our overall budget for FY17 meant that RCDA needed to do a lot of hiring and expansion of our facilities to accommodate a significant amount of growth and new programming. In total, we increased our staff size in positions by 50% from 2016 to 2017, but of course not every hire was made immediately on July 1<sup>st</sup> (Day 1 of the Fiscal Year) nor were we able to retain every employee during the transition and throughout the year. This resulted in an unusually high surplus in PS funds for that fiscal year. It should be noted, however, that RCDA worked diligently and quickly to fill these new positions and by February 2017 – 90% had been hired. It should also be noted that RCDA did return funds to the City of New York at the end of FY17 – roughly \$566k was returned – all of which was originally designated to RCDA’s budget in July 2017 for personnel.

**2. Finding: “RCDA Inappropriately Approved Employees’ Overtime Requests”**

- a. *Recommendation: Ensure that employees requesting overtime and supervisory personnel responsible for reviewing and approving overtime requests comply with RCDA policies and procedures.*



- i. Response: As noted in the Audit Report, RCDA had previously identified this issue and has taken corrective action to provide better oversight for the approval of overtime. We are happy to hear that since the implementation of new oversight and a mandatory refresher training course for all staff that there has been significant improvement. As noted in this finding, we will also appropriately tailor our internal policy language to more accurately reflect the overtime policy during lunchtime to allow for unavoidable occasions when employees are detained in court, with a victim, or on a time-sensitive project that is unavoidable.

**3. Finding: “The RCDA Did Not Ensure That Employees Recorded Their Time in an Appropriate Manner”**

- a. *Recommendation: Review CityTime access for all of its employees and ensure that only appropriate employees have the ability to manually enter their start and end times into a CityTime timesheet and that non-managerial employees other than ADAs, DIs, and CPU staff must use a CityTime hand-scanner or web-clock to record their daily time.*

- i. Response: We have made adjustments to our CityTime settings, as recommended, to remedy this finding and prevent future inaccurate timekeeping reports.

**4. Finding: “The RCDA Did Not Approve Timesheets in a Timely Manner”**

- a. *Recommendation: Ensure that all employee timesheets are approved prior to processing payroll.*

- i. Response: Recognizing this reoccurring issue ourselves, we had already begun to enforce in late 2017/early 2018 the policy of not allowing an employee to receive a salary payment without an approved City Time timesheet being submitted. We should also note, however, that we will also amend our internal policy to reflect a more realistic timeline and policy for the approval of timesheets during the week.

**5. Finding: “The RCDA Did Not Adequately Segregate Its Payroll Functions”**

- a. *Recommendation: Ensure that payroll processes are adequately segregated in accordance with Comptroller Directive #13.*

- i. Response: As is noted in the Report, we have found that the small size of our agency, and in particular during this audit’s time frame, the drastic reorganization and transition of numerous staff through our administrative and human resources division made following this directive virtually impossible. We have made strides toward this recommendation by hiring an additional staff member for the Human Capital Division so that payroll and timekeeping are segregated between two different employees. However, we acknowledge that both of these employees report to the same supervisor (the Director of Human Capital) who at present is the only individual within our small

agency who has the expertise and knowledge to troubleshoot and provide guidance on these areas at a senior level.

**6. Finding: “Certain RCDA Expenditures Were Not Reasonable, Appropriate, Adequately Supported, or Properly Authorized”**

- a. Recommendation: Ensure that all agency expenditures are in compliance with the documentation requirements stated in Comptroller's Directive #24;*
- b. Recommendation: Ensure that all agency expenditures comply with Comptroller's Directive 6;*
- c. Recommendation: Ensure that requisition forms are maintained for all expenditures processed through FMS and all payments made from agency administered bank accounts and that they clearly state the need for the purchase and demonstrate that the proper authorizations were obtained prior to the office's making the requested payment;*
- d. Recommendation: Investigate the 19 pieces of equipment currently unaccounted for, including an Apple iMac computer, and camera and lighting equipment and accessories and refer to the proper authorities, if necessary;*

- i. Almost all of the expenditures found to be not properly authorized, not adequately supported, and not reasonably priced were made prior to June 2017. As discussed, since that date, new leadership has been put in place as well as new processes and procedures. These procedures include mechanisms to ensure proper authorization of an expenditure prior to its purchase as well as a monthly review of all expenses to ensure all policies, supporting documentation, and directives were adhered to and available for record keeping purposes.
- ii. Regarding the expenses deemed “inappropriate” – specifically those expended on September 8<sup>th</sup> and September 9<sup>th</sup> 2017 for RCDA’s annual retreat, training, and team-building day – we disagree with the Comptroller’s analysis that these expenses were “social functions” and separate events from our training and team building components of the day. One day a year, RCDA seeks and obtains permission from the Court to hold a retreat for our staff. Recognizing that we did not host a retreat in 2016, but that our staff had grown by an enormous amount, that we had reorganized and overhauled many of our bureaus and units, installed many new leaders and policies as part of the new administration, and that our ADAs in particular had been exposed to a particularly grueling couple of years in 2016-2017 with a dramatic number of homicides, shootings, and domestic violence cases on their desks, we thought it was important to utilize our Retreat Day to address these issues. We planned a full day for all staff (Criminal Court Bureau held their retreat on Sept. 9<sup>th</sup>, a Saturday, because of Court obligations) where they received legal training from a world-class litigator and judge, lectures on our mission and new programming from the DA and Chief Assistant DA, and awards to recognize longevity. They were also told to work within their bureaus to plan team building events in the community that would promote morale, self-care, and trust. Our ADAs and staff deal with trauma and victims of trauma every day – many of

them respond to crime scenes and see the worst of humanity. While other agencies, including our partners at the Mayor's Office of Domestic Violence – the Family Justice Center, invest in self-care resources for their staff who work in the realm of trauma every week (they have yoga for an hour every Thursday), our staff is unable to participate because we have court obligations and victim obligations that do not allow us to shut down for an hour. So, yes, once a year, we allow our staff a day that includes intensive educational training as well as an hour or two of self-care and teambuilding with their colleagues. This is a very small amount of money well-spent in our opinion by the City of New York, on one day a year, to reinforce the humanity and mission of the important work of our office and to show our employees we recognize the work they do, the emotional and psychological strain it places on them and their families, and reinforce and promote the morale of our agency.

- iii. As noted in the report, RCDA contacted DOI and the FBI and recently received notification that they were able to match 9 of the 19 items listed as similar to those items found as part of their investigation. Without serial numbers available an identical match is not possible to make, but SKU #, Manufacturer Name, and Product Description all matched.

**7. Finding: “The RCDA Charged Purchases to Incorrect Object Codes”**

- a. *Recommendation: Provide training to all staff who have the ability to process and approve Payment Vouchers, including training on object codes and voucher types;*
- b. *Recommendation: Charge purchases to the correct object code in accordance with Comptroller's Directive #24;*
- a. *Recommendation: Review its process of transferring a portion of its OTPS budgetary funds to its internal "460" bank account and ensure that all funds that are transferred to this bank account are for payments related to criminal justice related activities that could not have been paid through FMS;*

- i. Since June 2017, we have conducted numerous trainings and meetings with our procurement staff to review our internal fiscal procedures and have added a number of checks and balances to our procedures to prevent errors in our object codes. It is notable that of the 21 object codes marked as incorrect in this audit, only one was found after June 2017, and we have a difference of opinion with the auditors as to whether it is in fact the correct object code.
- ii. Regarding the use of the 460 account – since June 2017 we have made herculean efforts to overhaul the too widespread use of this account and continue to make changes to this end. We have moved a significant number of expenses to FMS and our Demand Account from our 460 account, and continue to identify expenses that could be considered safely non-confidential to other payment sources.

**8. Finding: “The RCDA Improperly Used Its Demand Account”**

*a. Recommendation: Establish formal written policies and procedures regarding the usage of the Demand account and periodically review the expenditures from the account to ensure that the account is being used appropriately and in accordance with its intended purpose;*

- i. In response to this recommendation we will draft a written policy that outlines the use of the Demand account as well as our other bank accounts. As noted, the Demand Account was dormant until July 2017 when it was revived as part of our overhaul of our fiscal practices and overuse of the 460 account.
- ii. It is also worth noting, however, that although a written policy does not exist, the Demand Account does not singularly have a use for only "small purchase or employee reimbursements." Although it is primarily used for those expenses, since its reinstatement in July 2017 it also is used for non-460 expenses for vendors or individual payments that cannot be made through FMS or which are not appropriate for our other accounts.

**9. Finding: “The RCDA Improperly Used Miscellaneous Payment Vouchers in FMS”**

*a. Recommendation: Periodically review Payment Vouchers to ensure that staff adhere to Comptroller's Directive #24 and that the correct types of vouchers are used;*

- i. It is important to note that there were no incorrect or improper uses documented since June 2017. As referenced, RCDA acknowledges that under the former Administration and former Procurement Director contracts that should have been registered with the Comptroller were systematically not registered, and to circumvent this process payments were made by processing them as Miscellaneous Payment Vouchers. This practice has been ceased since the overhaul of our administrative division in June 2017—all contracts are now registered.

**10. Finding: “The RCDA Did Not Perform Bank Reconciliations for Four Agency-Administered Bank Accounts”**

*a. Recommendation: Ensure that monthly bank reconciliations are performed for all RCDA bank accounts in accordance with Comptroller's Directive #11.*

- i. Since July 2017, the Chief Administrative ADA and Director of Administration perform monthly reviews and inspections of all credit card expenses, checking account expenses, and FMS payments. In addition to each individual expense being reviewed along with its requisition form, its cost is matched to the corresponding statement in the case of the credit card and checking accounts. To reflect the Comptroller’s finding in this Audit Report, the summary page of these monthly sheets will incorporate a final bank reconciliation of total amounts and expenses in addition to the individual expense reconciliation.