

AUDIT REPORT



CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF FINANCIAL AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on the Other Than Personal Service Expenditures of the Kings County District Attorney's Office July 1, 2006–June 30, 2007

FL08-079A

June 30, 2009



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341

WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the responsibilities of the Comptroller contained in Chapter 5, §93, of the New York City Charter, my office has audited the Other Than Personal Service (OTPS) expenditures of the Kings County District Attorney's Office for the period July 1, 2006, to June 30, 2007.

The five New York City District Attorneys enforce the provisions of the penal law and other statutes by investigating and prosecuting criminal conduct in their respective counties. We audit agencies such as these to ensure that they comply with applicable procedures and use City funds appropriately and in the best interest of the public.

The results of our audit, which are presented in this report, have been discussed with officials of the Kings County District Attorney's Office, and their comments have been considered in preparing this report. Their complete written responses are attached to this report.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please e-mail my audit bureau at audit@Comptroller.nyc.gov or telephone my office at 212-669-3747.

Very truly yours,

A handwritten signature in black ink, appearing to read "William C. Thompson, Jr.", written over a horizontal line.

William C. Thompson, Jr.

WCT/fh

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*The City of New York
Office of the Comptroller
Bureau of Financial Audit*

**Audit Report on the
Other Than Personal Service Expenditures of the
Kings County District Attorney's Office
July 1, 2006–June 30, 2007**

FL08-079A

AUDIT REPORT IN BRIEF

According to Article 13, §13, of the New York State Constitution, District Attorneys are constitutional officers elected every four years. Under New York State County Law 24, §927, the City's five District Attorneys protect the public by investigating and prosecuting criminal conduct in their respective counties. The District Attorneys enforce the provisions of the penal law and all other statutes. Their principal activities include screening new cases, preparing information, gathering resources for hearings, and presenting cases in court for trial or appeal.

We conducted an audit of the Other Than Personal Service (OTPS) expenditures of the Kings County District Attorney's Office for the period July 1, 2006, through June 30, 2007—Fiscal Year 2007. The OTPS expenditures during Fiscal Year 2007 totaled \$2,650,356.

Audit Findings and Conclusions

All the purchases reviewed were for proper business purposes and properly authorized and approved, and the purchased goods were received and the services rendered. However, the Kings County District Attorney's Office did not comply with all of the City's Financial Management System (FMS) accounting policies and procedures, Procurement Policy Board (PPB) rules, Comptroller's Directives, and Comptroller's fiscal year-end closing instructions. Specifically, the Kings County District Attorney's Office entered inaccurate information in FMS and used miscellaneous vouchers inappropriately. As a result, vouchers were not always paid in accordance with PPB Prompt Payment Rules, and some expenditures were recorded in the incorrect accounting period.

Audit Recommendations

We make 11 recommendations, including that the Kings County District Attorney's Office should:

- Enter actual dates of occurrence in the designated FMS fields for all purchases and train its staff on the procedures for processing payments through FMS to ensure that only complete and accurate information is entered in FMS, the voucher packages contain all the necessary documentation so that staff have all the required information to enter into FMS, all invoices are paid in accordance with the PPB's Prompt Payment Rule, and, all expenses are charged to the correct fiscal year.
- Use the appropriate purchase documents when making OTPS expenditures.
- Ensure that it makes purchases from requirement contracts when they are available and completes and remits the necessary purchase order forms to DMSS for processing.
- Ensure that all contracts, agreements, change orders, amendments, etc., are presented to the Comptroller for registration, in addition to purchases exceeding \$25,000 for goods and services.

INTRODUCTION

Background

According to Article 13, §13, of the New York State Constitution, District Attorneys are constitutional officers elected every four years. Under New York State County Law 24, §927, the City's five District Attorneys protect the public by investigating and prosecuting criminal conduct in their respective counties. The District Attorneys enforce the provisions of the penal law and all other statutes. Their principal activities include screening new cases, preparing information, gathering resources for hearings, and presenting cases in court for trial or appeal.

We conducted an audit of the Other Than Personal Service (OTPS) expenditures of the Kings County District Attorney's Office for the period July 1, 2006, through June 30, 2007—Fiscal Year 2007. The OTPS expenditures during Fiscal Year 2007 totaled \$2,650,356.

Objectives

The audit's objectives were to determine whether the Kings County District Attorney's Office complied with certain purchasing and inventory procedures for OTPS expenditures of the New York City Comptroller's Internal Control and Accountability Directives (Comptroller's Directives), Procurement Policy Board (PPB) rules, City Financial Management System (FMS) accounting policies, procedures, and related bulletins, the Comptroller's "Fiscal Year-End Closing Instructions" for June 30, 2007, and other applicable OTPS and inventory guidelines.

Scope and Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). 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 performed in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93 of the New York City Charter.

The audit scope covered the period July 1, 2006, through June 30, 2007 (Fiscal Year 2007). We reviewed the following documents to obtain an understanding of the procedures and regulations with which the Kings County District Attorney's Office is required to comply for the purposes of this audit:

- Comptroller's Directive #24, "Agency Purchasing Procedures and Controls,"
- PPB rules,
- FMS accounting policies, procedures, and related bulletins,

- Comptroller’s “Fiscal Year-End Closing Instructions” for June 30, 2007, and
- Other applicable OTPS and inventory guidelines.

To obtain an understanding of the Kings County District Attorney’s Office purchasing procedures and the safeguarding of physical assets, we conducted walk-throughs of the purchasing process on August 29, September 5, and September 10, 2007, and of the inventory procedures on September 10, 2007. We interviewed appropriate personnel and documented our understanding of these processes through narratives and flowcharts.

We reviewed, analyzed, and compared the City’s FMS printouts to the Kings County District Attorney’s Office small purchase documents, FMS contract documents, and related payment vouchers to determine the completeness and accuracy of the documentation provided. We also reviewed the Kings County District Attorney’s Office documentation for miscellaneous payments vouchers in accordance with the tests noted below.

Tests of Compliance with Comptroller’s Directive #24 and PPB Rules

To determine whether the Kings County District Attorney’s Office complied with PPB rules and Comptroller’s Directive #24 for purchasing, procurement, and vouchering, we judgmentally selected 47 payment vouchers and related purchasing documents, including 78 invoices, totaling \$601,636, from 269 payment vouchers totaling \$878,484, which represents 68 percent of the total dollar amount paid. Specifically, we selected all 17 vouchers for purchases exceeding \$15,000, totaling \$378,852, and randomly selected an additional 30 vouchers for purchases between \$2500 and \$15,000, totaling \$222,784.

We also judgmentally selected 51 miscellaneous payment vouchers and related purchasing documents, including 100 invoices, totaling \$421,539 from the 1,676 miscellaneous vouchers processed totaling \$1,771,872, which represents 23.8 percent of the total dollar amount paid. Specifically, we selected all five vouchers for purchases exceeding \$10,000, totaling \$97,150, from Special Expenditures (Object Code #4600). From Obligatory County Expenditures (Object Code #4650), we selected all 11 vouchers for purchases exceeding \$10,000, totaling \$92,758, and randomly selected an additional 30 vouchers for purchases between \$100 and \$10,000, totaling \$60,795. Finally, we selected the five highest dollar amount miscellaneous vouchers, totaling \$170,836, from the remaining object codes.

The total of 98 vouchers in the sample reviewed contained 333 transactions and 178 invoices.

We reviewed each FMS purchase or contract document, internal purchase order, payment voucher, invoice, and corresponding documentation to determine whether they had the required authorizations, approvals, and signatures. We also sought evidence that the transactions were for proper business purposes and were supported by adequate documentation such as contract

awards and order specification. We also determined whether the purchases were charged to the correct budget codes and object codes, had the proper encumbrance type, and were properly pre-encumbered when the dollar value exceeded \$5,000. We also identified multiple payments to the same vendors on the same days to determine whether there was evidence of split purchasing or duplicate payments.

We determined whether the required number of bids was solicited, whether sole source procurement exceeding \$2,500 were justified, whether purchases could have been made through available storehouse or City requirement contracts, and whether procurements made under New York State contracts contained the written determination that prices were lower than prevailing market prices. In addition, we determined whether contracts were registered with Comptroller's Office of Contract Administration (OCA) and registered before their effective contract dates, as required under the PPB rules. Further, we determined whether miscellaneous payment vouchers were processed in compliance with Comptroller's Directive #24.

In addition, we determined whether goods were received and services rendered, whether the details on the vouchers matched the purchase documents (ordered goods, prices, quantities, etc.), whether invoices were properly paid, whether rebates and discounts were obtained from vendors, and whether the proper voucher type was used. To determine whether voucher amounts were correctly calculated, we traced the amounts on supporting documents, vendor invoices, and personal expense forms to the amounts on the vouchers, and recalculated the totals. We then determined whether expenses incurred during Fiscal Year 2007 were charged to the correct fiscal year, receiving reports and invoices contained the stamped clock-in time or were otherwise annotated with the date upon receipt, FMS documents contained the goods descriptions, and FMS invoice information was accurate.

Additionally, we determined whether the Kings County District Attorney's Office made payments to vendors within 30 days after the Invoice Received or Acceptance Date (IRA Date), in accordance with §4-06(c)(2) of the PPB rules. In that regard, we compared the IRA dates plus 30 days to the FMS voucher acceptance/sign-off dates for all purchases under review, when possible.

To determine whether any split purchases were made, we reviewed the list of all Kings County District Attorney's Office OTPS expenditures made in Fiscal Year 2007 to determine whether the Kings County District Attorney's Office was making multiple payments to the same vendors on the same days.

We identified 16 miscellaneous payment vouchers in which the King's County District Attorney's Office processed multiple payments to the same vendors on the same days. The Kings County District Attorney's Office paid \$296,417 to five vendors that appeared to be split purchases. We reviewed all 16 miscellaneous payment vouchers and their supporting documentation to determine whether the Kings County District Attorney's Office intentionally split purchases to prevent the total from reaching the \$5,000 threshold that would have required the solicitation of bids from five vendors, or the \$25,000 threshold or the \$100,000 threshold that

would have required awarding a contract for the purchases, according to FMS Office of Contract Administration Policies and Procedures and PPB rules, respectively.

Finally, to determine whether there was adequate segregation of duties over the purchase and payment functions, we reviewed the Kings County District Attorney's list of individuals and their corresponding assigned FMS authorization levels. We determined whether the employees who prepared the purchase and contract documents and payment vouchers were employees other than those who authorized them.

Although the results of the above tests cannot be projected to the entire population of purchases for the fiscal year, they provided us a reasonable basis to assess the Kings County District Attorney's Office's compliance with the above-mentioned City purchasing guidelines.

Tests of Inventory Records

We conducted a physical inventory of the items listed on the Kings County District Attorney's Office inventory asset lists for Fiscal Year 2007. The inventory lists contained 6,475 items (telecommunication, equipment, and information technology). We checked 273 pieces of equipment: telecommunication equipment (50), equipment (50), information technology (173) between February 26, 2008 and March 28, 2008. We chose the items randomly from Kings County District Attorney's Office inventory lists to determine whether the equipment existed and whether the manufacturer's names, models, and serial numbers were recorded accurately on the inventory lists. We also checked whether each piece of equipment had a Kings County District Attorney identification tag (if applicable) on it.

The results of the above tests, while not projectable for all pieces of equipment provided us a reasonable basis to assess the Kings County District Attorney's Office controls over inventory.

Discussion of Audit Results

The matters covered in this report were discussed with Kings County District Attorney's Office officials during and at the conclusion of this audit. A preliminary draft report was sent to Kings County District Attorney's Office officials on January 23, 2009, and was discussed at an exit conference held on February 24, 2009. On March 27, 2009, we submitted this draft report to Kings County District Attorney's Office officials with a request for comments. We received a written response from the Kings County District Attorney's Office on April 17, 2009.

In their response, Kings County District Attorney's Office officials generally agreed with many of the audit findings and recommendations and stated:

We will implement many of the recommendations pertaining to our compliance with the City's Financial Management System (FMS) accounting policies and procedures, Procurement Policy Board (PPB) rules, Comptroller's Directives and Comptroller's year-end closing instructions. In fact, as issues were brought to our

attention during the course of the audit, we implemented many of the recommended changes, including tightening our procedures for tracking agency property.

However, we find ourselves in disagreement with some of the report's findings and recommendations. These matters have been discussed at length with the auditing team and we have 'agreed to disagree' on some points.

The specific comments raised by the Kings County District Attorney's Office officials and our rebuttals are contained in the relevant sections of this report.

The full text of the Kings County District Attorney's Office response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

All the purchases reviewed were for proper business purposes, properly authorized and approved, and the purchased goods were received and the services rendered. However, the Kings County District Attorney's Office did not comply with all of the City's FMS accounting policies and procedures, PPB rules, Comptroller's Directives, and Comptroller's fiscal year-end closing instructions. Specifically, the Kings County District Attorney's Office entered inaccurate information in FMS and used miscellaneous vouchers inappropriately. As a result, vouchers were not always paid in accordance with PPB Prompt Payment Rules, and some expenditures were recorded in the incorrect accounting period. There were other exceptions of noncompliance, which are also discussed in the following sections of this report.

Financial Controls in FMS Bypassed

The Kings County District Attorney's Office entered inaccurate information in FMS for the 98 vouchers and 178 related invoices reviewed. The Kings County District Attorney's Office entered in FMS the date payment was approved, the accept/sign-off date, instead of entering the actual dates of occurrence in the fields designated for the date the invoice was received and for the date the goods or services were rendered. Accordingly, the financial controls in FMS that would detect invoices that remained unpaid after 30 calendar days, which would trigger an interest payment, and that ensure that expenses are allocated to the proper fiscal year, as required by the Comptroller's Office "Audit Closing Instructions" were bypassed.

For example, Intersystems Corporation submitted an invoice dated June 9, 2006, totaling, \$21,180. Documentation in the voucher package indicated that the services were certified as received on August 15, 2006. The Kings County District Attorney's Office did not approve payment on this invoice until November 21, 2006, the date entered in FMS in the accept/sign-off field. This date, November 21, 2006, was also entered as the date the invoice was received and the date services were rendered. By entering this same date in all three fields in FMS, FMS could not detect that this invoice remained unpaid for more than 30 days after receipt of the invoice.

Kings County District Attorney's Office Response: "Intersystems Corporation delay in payment: Although the invoice was dated June 9, 2006 and the services were received on August 15, 2006, the Office of the Comptroller did not approve the contract until November 14, 2006. It was not possible to pay the invoice prior to approval by the Office of the Comptroller."

Auditor Comment: The Kings County District Attorney's Office is incorrect. This contract is not registered with the Comptroller's office. In fact, this contract does not require registration with the Comptroller's Office. According to the FMS Office of Contract Administration Policies and Procedures, Contract Creation, 4-1, expense contracts for goods and services of less than or equal to \$25,000 do not require Office of the Comptroller registration. This procurement only required Kings County District Attorney's Office approval.

The Kings County District Attorney's Office entered inaccurate information in FMS for the 98 vouchers and 178 related invoices in our sample. Of the 78 invoices related to payment vouchers, at least 29 invoices, totaling \$189,633 did not comply with the PPB Prompt Payment (Rule Section 4-06), which states that agencies are required to pay all vendors within 30 calendar days from the date the agency receives a proper invoice or the seventh day after either the date on which the goods are actually delivered or the services are actually performed or pay interest on the late payment. For 11 invoices, the time between the invoice date and the FMS acceptance/sign-off date exceeded 30 days. However, we could not determine whether the payment was late because the voucher package lacked or had inaccurate information (i.e., dates when invoices were received or dates certifying when goods were received or services were rendered). Although the information in FMS for the remaining 38 invoices was not accurate, the invoices were paid within 30 days of their invoice date. Of the 100 invoices related to miscellaneous vouchers, at least four invoices, totaling \$73,972, did not comply with the PPB Prompt Payment Rule. For 17 invoices, the time between the invoice date and the FMS acceptance/sign-off date exceeded 30 days. Again, we could not determine whether the payment was late because the voucher package lacked or had inaccurate information. Although the information in FMS for the remaining 79 invoices was not accurate, the invoices were paid within 30 days of their invoice date or were in compliance with the PPB Prompt Payment Rule. It should be noted that during our testing to identify split purchases, we discovered an additional seven invoices, totaling \$76,375 that did not comply with the PPB Prompt Payment Rule.

In another example, the Kings County District Attorney's Office received three invoices, totaling \$9,200, dated: February 10, 2006, June 28, 2006, and July 11, 2006, for expert witness services that were rendered between May 2005 and July 2006. However, there was no certification in the files indicating that the services had been rendered. The accept/sign-off date in FMS, indicating payment approval, was October 3, 2006, which was three months after the date of the last invoice. October 3, 2006, was entered in FMS as the date that each of the three invoices were received, services rendered, and payment approved. In this case, not only was FMS unable to detect that these invoices remained unpaid for more than 30 days, but \$6,600 of the \$9,200 payment was improperly recorded in the incorrect fiscal year. Specifically, \$6,600 in expert witness services rendered in Fiscal Year 2006, was charged to Fiscal Year 2007.

In addition to the purchase cited above, two purchases, totaling \$4,953, were recorded in the incorrect fiscal year. Expert witness and court reporter services received in Fiscal Year 2006 were charged to Fiscal Year 2007. Again, this went undetected because the Kings County District Attorney's Office did not enter the correct dates into FMS. According to Comptroller's Directive #24, "For an agency to charge an expenditure to the current fiscal year, goods or services must be received and/or delivered by June 30." Likewise, if the goods or services are received after June 30, they should be charged to the next fiscal year.

Kings County District Attorney's Office Response: "Invoices charged to Fiscal year subsequent to the Fiscal year in which the services were delivered: The physical invoices, despite their dates, were received by this agency after the close of Fiscal 2006. Although the services were rendered in Fiscal 2006 there was no practical way of this agency being informed contemporaneously of such services being performed. In addition, fiscal

constraints prevented our using any kind of accounting entries to charge the services to Fiscal 2006 since, by the time the invoices were received, all the funds for Fiscal 2006 had been expended.”

Auditor Comment: The Kings County District Attorney’s Office could not offer any evidence to indicate that the invoices, although dated February 10, 2006 and June 28, 2006 in Fiscal Year 2006, actually were received after the close of the fiscal year.

FMS is the integrated accounting and budgeting system for the City. It contains the City’s centralized accounting and budgetary controls as well as information on City contracts. FMS allows financial managers for the Comptroller, the Mayor, and the City agencies to access, analyze, and use the City’s financial data. The proper recording of each agency’s expenditures is critical to the accurate report of the City’s financial results of operations. Agencies must ensure that the recording of expenditures in FMS is handled correctly and that the expenditures are charged to the appropriate fiscal year.

Recommendations

The Kings County District Attorney’s Office should:

1. Enter actual dates of occurrence in the designated FMS fields for all purchases and train its staff on the procedures for processing payments through FMS to ensure that: only complete and accurate information is entered in FMS, the voucher packages contain all the necessary documentation so that staff have all the required information to enter into FMS, all invoices are paid in accordance with the PPB’s Prompt Payment Rule, and, all expenses are charged to the correct fiscal year.

Kings County District Attorney’s Office Response: “The audit recommends that this agency, ‘enter actual dates of occurrence in the designated FMS fields.’ We will endeavor to do so, but will base those dates on the direction contained in the PPB, Section 4-06.”

Auditor Comment: PPB §4-06 requires actual dates of occurrence and complete information to be entered into FMS. Also, the Kings County District Attorney’s Office should maintain all necessary and required documentation for all voucher packages.

Improper Use of Miscellaneous Vouchers

The Kings County District Attorney’s Office used miscellaneous vouchers to process all 51 sampled payments, totaling \$421,540. Comptroller’s Directive #24 states that miscellaneous vouchers may be used only when estimated or actual future liability cannot be determined, when a contract or a purchase document is not required or applicable, or when items cost less than \$250. However, none of the 51 vouchers met these criteria. There were: 43 vouchers totaling

\$186,740 for services (e.g., expert witnesses, court reporters, room rental charges), 4 vouchers totaling \$96,487 for supplies (e.g., paper, legal publications, fuel), 2 vouchers totaling \$45,278 for leasing copiers, a \$35,000 voucher for a postage meter, and a \$58,035 voucher for telephone service. In these cases, the Kings County District Attorney's Office should have processed the payments through its own or citywide requirement contracts.

Considering that all of the sampled miscellaneous vouchers did not meet the criteria set forth in Directive 24 and that \$1,771,872 (67 percent) of the \$2,650,356 in Fiscal Year 2007 OTPS expenditures were processed through miscellaneous vouchers, the Kings County District Attorney's Office may have used miscellaneous vouchers more extensively than allowed in Directive #24.

The inappropriate use of miscellaneous vouchers contributes to the distortion of the City's books of account by understating the City's outstanding obligations.

Recommendation

2. The Kings County District Attorney's Office should use the appropriate purchase documents when making OTPS expenditures.

Kings County District Attorney's Office Response: "We agree that some miscellaneous payment vouchers were used inappropriately. We will continue to voucher for court reporters and expert witnesses relying on Directive 24's instructions.

"It is not feasible to determine who will be providing the services, or when, or the cost of the services rendered, therefore we believe it is inappropriate to issue regular purchase orders or encumber funds for these services. This agency attempted to follow the Comptroller's suggested procedure by encumbering funds based on previous years' experience. The result was that we had to constantly revise purchase orders resulting in unacceptable delays in paying court reporters and expert witnesses. It was clear that the recommended procedure was neither predictive of actual expenses nor convenient to administer.

"We disagree with the audit finding and conclude that the use of miscellaneous vouchers is appropriate in these cases."

Auditor Comment: With regard to court reporters, the City has two requirement contracts for stenographic reporting and transcription services. In addition, the City's Law Department has several contracts for stenographic reporting services. Therefore, the Kings County District Attorney's Office does not need to use miscellaneous vouchers for its court reporters.

With regard to expert witnesses, the Kings County District Attorney's Office used the services of one expert witness for at least the last five consecutive fiscal years, from Fiscal Year 2005 to Fiscal Year 2009. Therefore, the Kings County District Attorney's

Office has the parameters to enter into a contract with this vendor because it continues to use her services, and it knows the rate that she charges.

If the Kings County District Attorneys Office had entered into contracts with these vendors, or used the City's requirement contracts, the funds would have been pre-encumbered and available for payment without any delay.

Other Procurement-Related Matters

Our review of the Kings County District Attorney's Office procurement documents disclosed the following exceptions.

Requirement Contracts Not Used

The Kings County District Attorney's Office did not use requirement contract in one instance, totaling \$10,000, when purchasing legal publications. The Kings County District Attorney and City agencies are generally required to purchase goods and services through requirement contracts, when available. A March 2005 memorandum from the Commissioner of the Department of Citywide Administrative Services to agency heads stated that "agencies are also reminded that commodities available under requirement contracts must be purchased through such contracts. Additionally, items available from DMSS [Department of Municipal Supply Services] Storehouse must be obtained from that facility." Purchasing goods and services through available requirement contracts is an important means for ensuring that City expenditures are cost effective.

Contract Not Registered with the Comptroller's Office

The Kings County District Attorney's Office has a contract with Blue Car & Limousine, Inc., and made two payments, totaling \$37,787 (of which one payment for \$12,787 was made using a miscellaneous voucher). However, this contract is not registered with the Comptroller's Office of Contract Administration. According to the FMS Office of Contract Administration Policies and Procedures chapter, "Contract Creation," 4-1, expense purchases that individually or aggregately exceed the limit of \$25,000 for goods and services are required to be registered with the Comptroller's Office. Additionally, Directive #24 states, that FMS Contract Documents are required for purchases more than or equal to \$10,000 for Goods and Services.

Purchases Made through Health and Hospitals Corporation Contract

Three purchases totaling \$31,858 were procured through a New York City Health and Hospitals Corporation contract. PPB rule §3-09(a) allows City agencies to procure goods and services "through the United States General Services Administration or any other federal agency or the New York State Office of General Services or any other State agency provided the price is lower than the prevailing market price." However, since the Health and Hospitals Corporation is

a public benefit corporation, and not a federal or State agency, the Kings County District Attorney's Office is not allowed to use the Health and Hospitals Corporation contracts.

Prevailing Market Prices Not Substantiated

Six purchases, totaling \$121,448, procured through New York State and New York City Health and Hospitals Corporation contracts lacked the required documentation indicating that the procured price was lower than the prevailing market price. PPB rule §3-09(e) requires that for procurements made through New York State contracts, "Records shall include at a minimum the determination that the price is lower than the prevailing market price including an explanation of how such a determination was made." Without such evidence, we are unable to determine whether the prices of these purchases were lower than prevailing market prices.

No Evidence of Bid Solicitation

Files for three purchases, totaling \$46,658, did not have bid tabulation sheets, a record of bids solicited and received during procurement, which would evidence that bids were solicited. PPB rule §3-08 (c)(1)(iii) requires an agency to solicit at least five bids for procurements exceeding \$5,000. We found no evidence in the Kings County District Attorney's Office files to indicate that any bids were solicited for these purchases. Without appropriate evidence, we cannot determine whether the agency received competitive prices when making the purchases.

No Evidence of ACCO Determination for Sole Source Purchases

Files for three sole source purchases, totaling \$39,492 did not contain the Agency Chief Contracting Officer (ACCO) determination that there is only one source for the required goods, services, or construction. PPB rule §3-05 (b) requires prior to entering into sole source negotiations, the ACCO shall make a determination that there is only one source for the required good, service, or construction.

Documents Lacked Date Noted Upon Receipt

Documents in the voucher file for 101 invoices, totaling \$518,516, lacked the clock-in stamp or were not annotated upon receipt with the date. PPB rules Section 4-06 (c) (5), states, "Receiving reports and invoices shall be stamped or otherwise annotated with the date upon receipt in the designated billing office."

Incorrect Object Codes Used

Twenty purchases totaling \$308,674 were charged to incorrect object codes. For example, 10 purchases for telephone services, including installation, moves, changes, and ads, were charged to object code 4020, "Telephone and Other Communications," instead of object code 6020, "Telecommunications Maintenance-Contractual."

Comptroller's Directive #24, §6.0, states, "Payment Voucher approvers must ensure that the 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." The use of incorrect object codes prevents the Kings County District Attorney's Office from identifying the type and amount of a particular expense item within a fiscal year and distorts year-end reporting that identifies expenditure patterns.

Recommendations

The Kings County District Attorney's Office should:

3. Ensure that it makes purchases from requirement contracts when they are available and completes and remits the necessary purchase order forms to DMSS for processing.
4. Ensure that all contracts, agreements, change orders, amendments, etc., are presented to the Comptroller for registration, in addition to purchases exceeding \$25,000 for goods and services.

Kings County District Attorney's Office Response: In their response, officials stated that they have implemented steps to ensure that they conform with recommendations 3 and 4.

5. Discontinue its practice of making purchases through Health and Hospitals Corporation contracts.

Kings County District Attorney's Office Response: "We used the HHC contract only after consultation with DCAS. According to . . . DCAS, our use of the HHC contract was appropriate because, at the time, there was no New York City contract in place for the materials we ordered."

Auditor Comment: As stated in the report, PPB rule §3-09(a) allows City agencies to procure goods and services through Federal and State agencies' contracts; it does not allow purchases to be made through a public benefit corporation contract.

6. Ensure that purchases made through New York State contracts are researched to determine that the prevailing market prices are lower than or equal to the prices received at the time of procurements, maintaining all relevant documentation in the files.
7. Solicit at least five bids for each purchase exceeding \$5,000, and maintain evidence of the solicitation, such as bid tabulation sheets, in the file.

8. Ensure that the ACCO determination is documented prior to authorizing payment when making sole source purchases.
9. Ensure that all invoices are stamped or otherwise annotated with the date upon receipt of purchased goods or services.
10. Select object codes that most closely reflect the types of expenditures.

Kings County District Attorney's Office Response: In their response, officials stated that they have implemented steps to ensure that they conform with recommendations 6, 7, 8, 9, and 10.

Could Not Account for All Inventory Items

When conducting our physical inventory of 273 sampled items listed on the Kings County District Attorney's Office's Fiscal Year 2007 inventory, we could not find ten items (3.6 percent), including: one beeper, one cell phone, one laptop computer, two metal detectors, a digital camera, a steno machine, a fax machine, a CD player, and a vacuum cleaner. Nor could the Kings County District Attorney's Office find these missing items.

Comptroller's Directive #1, states "Supplies and some non-capital assets are particularly susceptible to theft and misuse; while capital assets require specific procedures for their purchase, maintenance and disposal. All of these inventory items require strong controls to ensure accurate recordkeeping and good security."

Recommendation

11. The Kings County District Attorney's Office should account for all missing inventory items, and ensure that it has adequate controls to safeguard inventory.

Kings County District Attorney's Office Response: In their response, officials stated that they have implemented steps to ensure that they conform with this recommendation.

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July 1, 2006 to June 30, 2007											
#FL08-079A											
Sample of Miscellaneous Payment Vouchers (PV/MS) Reviewed											
Unallowable Uses of PV/MS											
PV/MS Voucher Number	Line Amount	Voucher Amount	FMS Document Lack Description	Supply	Equip.	Service	Postal	Phone Service	Other	Incorrect FMS Information	Improper FY Accounting
1	7001961	\$525.00	\$3,325.00			X				X	
2	7001727	\$3,071.25	\$3,071.25			X				X	
3	7000402	\$2,771.25	\$2,771.25			X				X	
4	7001133	\$395.00	\$2,661.00			X				X	
5	7002018	\$2,625.00	\$2,625.00			X				X	
6	7002201	\$2,493.75	\$2,493.75			X				X	
7	7001751	\$415.00	\$2,487.00			X				X	
8	7001660	\$259.00	\$2,219.00			X				X	
9	7000685	\$2,197.50	\$2,217.50			X			X	X	
10	7001143	\$72.00	\$2,120.00			X				X	
11	7001925	\$2,073.75	\$2,073.75			X				X	
12	7002137	\$872.00	\$2,067.00			X				X	
13	7002331	\$2,025.00	\$2,025.00			X				X	
14	7000248	\$191.25	\$2,003.75			X				X	
15	7001421	\$519.00	\$1,965.00			X				X	X
16	7000190	\$1,925.00	\$1,925.00			X				X	
17	7000404	\$151.00	\$1,833.00			X				X	
18	7000294	\$1,800.00	\$1,800.00			X				X	
19	7000164	\$1,785.00	\$1,785.00			X				X	
20	7000335	\$97.65	\$1,720.95			X				X	
21	7002411	\$1,696.75	\$1,696.75	X		X				X	
22	7001999	\$35.00	\$1,602.50			X				X	
23	7002373	\$335.00	\$1,600.00			X				X	
24	7000433	\$1,575.00	\$1,575.00			X				X	
25	7000644	\$18.75	\$1,563.75			X				X	
26	7002339	\$1,541.25	\$1,541.25			X				X	
27	7000397	\$558.75	\$1,531.50			X				X	
28	7001146	\$411.00	\$1,501.00			X				X	
29	7000262	\$208.75	\$1,499.25			X				X	
30	7002278	\$1,494.50	\$1,494.50	X		X				X	
31	7001960	\$1,125.00	\$19,750.00			X				X	

PVM Voucher Number	Line Amount	Voucher Amount	FMS Document Lack Description	Unallowable Uses of PVMs							Improper FY Accounting	
				Supply	Equip.	Service	Postal	Phone Service	Other	Incorrect FMS Information		
32	7002065	\$13,698.75				X					X	
33	7000653	\$3,500.00				X					X	
34	7001959	\$7,800.00				X					X	
35	7002276	\$568.75	X			X					X	
36	7002020	\$6,975.00				X					X	
37	7001958	\$6,900.00				X					X	
38	7002035	\$6,637.50				X					X	
39	7000517	\$5,000.00				X					X	
40	7000175	\$2,989.50				X					X	
41	7001882	\$4,550.00				X					X	
42	7002447	\$14,490.00	X								X	
43	7002446	\$4,560.00	X								X	
44	7002262	\$19,010.88	X								X	
45	6002843	\$13,951.73	X								X	
46	6002854	\$12,787.00	X								X	
47	7002212	\$499.00	X								X	
48	7002214	\$35,000.00	X						X			
49	7001964	\$58,035.03	X							X		
50	7000781	\$41,448.00	X							X		
51	7000859	\$3,778.04	X							X		
			13	4	2	43	1	1	2	50		3

Audit Report on the Other Than Personal Services (OTPS) Expenditures of the Kings County District Attorney's Office
July 1, 2006 to June 30, 2007
#FL08-079A

Noncompliant Vouchers and Encumbrance Findings

Count	Voucher Number PYE	Line Amount (Voucher)	Voucher Amount	Incorrect FMS Information (Re. Date, Del.Pd From/to Dates)	Missing Clock Stamp	Pre-Encumbrance Document (RX) Not Used When Purchase More Than \$5,000	Bids Unavailable for Procurements Exceeding \$5,000 (Lack Bid sheet)	Existing Requirement Contract Not Used for Procurement	Market Price not Determined (Intergovernmental Purchasing) STATE - 6	Contracts that should have been Registered with OCA	Health and Hospitals Corporation Contract
1	7000407	\$6,750.00	\$6,750.00	X			X				
2	7000363	\$8,000.00	\$8,000.00	X							
3	7001793	\$14,950.00	\$14,950.00	X	X						
4	7000529	\$14,560.00	\$14,560.00	X	X						
5	7001008	\$2,385.00	\$14,137.50	X	X						
	7001908	\$11,772.50		X							
6	7001431	\$14,040.00	\$14,040.00	X	X						
7	7002419	\$13,845.00	\$13,845.00	X	X						
8	7000862	\$12,675.00	\$12,675.00	X	X						
9	7002423	\$27,580.00	\$27,580.00	X	X						
10	7000376	\$19,337.50	\$19,337.50	X	X	X					
11	7000787	\$17,680.00	\$17,680.00	X	X						
12	7001109	\$17,290.00	\$17,290.00	X	X						
13	7000251	\$16,705.00	\$16,705.00	X	X						
14	7001383	\$16,120.00	\$16,120.00	X	X						
15	7002114	\$16,022.50	\$16,022.50	X	X						
16	7000349	\$15,925.00	\$15,925.00	X	X						
17	7000695	\$15,892.50	\$15,892.50	X	X						
18	7000416	\$15,860.00	\$15,860.00	X	X						
19	7002011	\$15,730.00	\$15,730.00	X	X						
20	7001714	\$15,112.50	\$15,112.50	X	X						
21	7001012	\$13,303.00	\$13,303.00	X	X					X	
22	7000375	\$10,047.00	\$10,047.00	X	X						
23	7001769	\$3,778.04	\$7,607.83	X					X		X
	7001769	\$51.75		X							

Appendix II
(Page 2 of 4)

Count	Voucher Number PYE	Line Amount (Voucher)	Voucher Amount	Incorrect FMS Information (Re. Date, Del.Pd From/to Dates)	Missing Clock Stamp	Pre-Encumbrance Document (RX) Not Used When Purchase More Than \$5,000	Bids Unavailable for Procurements Exceeding \$5,000 (Lack Bid sheet)	Existing Requirement Contract Not Used for Procurement	Market Price not Determined (Intergovernmental Purchasing) STATE - 6	Contracts that should have been Registered with OCA	Health and Hospitals Corporation Contract
	7001769	\$3,778.04		X							
24	7001512	\$1,180.00	\$5,545.37	X					X		X
	7001512	\$1,180.00		X							
	7001512	\$1,180.00		X							
	7001512	\$2,005.37		X							
25	7000904	\$309.20	\$6,174.09	X				X	X		X
	7000904	\$333.00		X							
	7000904	\$351.90		X							
	7000904	\$40.00		X							
	7000904	\$5,001.43		X							
	7000904	\$58.56		X							
	7000904	\$40.00		X							
	7000904	\$40.00		X							
26	FUND134	\$4,768.04	\$4,768.04	X							
27	FUND136	\$4,756.62	\$4,756.62	X							
28	FUND129	\$4,712.40	\$4,712.40	X							
29	FUND128	\$4,584.49	\$4,584.49	X							
30	FUND127	\$4,471.38	\$4,471.38	X							
31	7000694	\$642.49	\$9,945.86	X							
	7000694	\$1,675.42		X							
	7000694	\$764.74		X							
	7000694	\$25.61		X							
	7000694	\$1,077.01		X							

Count	Voucher Number P/E	Line Amount (Voucher)	Voucher Amount	Incorrect FMS Information (Re. Date, Del.Pd From/to Dates)	Missing Clock Stamp	Pre-Encumbrance Document (RX) Not Used When Purchase More Than \$5,000	Bids Unavailable for Procurements Exceeding \$5,000 (Lack Bid sheet)	Existing Requirement Contract Not Used for Procurement	Market Price not Determined (Intergovernmental Purchasing) STATE - 6	Contracts that should have been Registered with OCA	Health and Hospitals Corporation Contract
	7000694	\$1,422.84		X							
	7000694	\$26.51		X							
	7000694	\$1,092.01		X							
	7000694	\$905.36		X							
	7000694	\$16.99		X							
	7000694	\$1,138.59		X							
	7000694	\$1,158.09		X							
32	7001016	\$895.88	\$3,288.16	X							
	7001016	\$1,331.57		X							
	7001016	\$1,246.11		X							
	7001016	\$14.60		X							
33	7000797	\$410.00	\$70,896.00	X							
	7000797	\$16,502.50		X							
	7000797	\$2,000.00		X	X						
	7000797	\$13,860.00		X	X						
	7000797	\$2,000.00		X							
	7000797	\$1,932.00		X							
	7000797	\$3,024.00		X							
	7000797	\$15,697.50		X							
	7000797	\$1,640.00		X							
	7000797	\$12,600.00		X							
	7000797	\$1,230.00		X							
34	7001067	\$13,685.00	\$15,727.00	X							
	7001067	\$1,640.00		X							
	7001067	\$402.00		X							
35	7000898	\$21,180.00	\$21,180.00	X	X		X				

Count	Voucher Number P/F	Line Amount (Voucher)	Voucher Amount	Incorrect FMS Information (Re. Date, Del/Pd From/to Dates)	Missing Clock Stamp	Pre-Encumbrance Document (RX) Not Used When Purchase More Than \$5,000	Bids Unavailable for Procurements Exceeding \$5,000 (Lack Bid sheet)	Existing Requirement Contract Not Used for Procurement	Market Price not Determined (Intergovernmental Purchasing) STATE - 6	Contracts that should have been Registered with OCA	Health and Hospitals Corporation Contract
36	7002115	\$8,922.77	\$8,922.77	X				X			
37	7000796	\$3,391.57	\$3,391.57	X					X		
38	7001367	\$3,317.78	\$3,317.78	X							
39	7001636	\$3,225.32	\$3,225.32	X							
40	7000768	\$46,169.00	\$46,169.00	X					X		
41	7000417	\$15,625.00	\$15,625.00	X							
42	7000369	\$3,369.45	\$3,369.45	X	X	X	X				
43	7000700	\$3,369.45	\$3,369.45	X							
44	7001803	\$3,369.45	\$3,369.45	X							
45	7001795	\$900.00	\$9,000.00	X	X		X				
	7001785	\$1,000.00		X	X						
	7001795	\$1,100.00		X	X						
46	7000359	\$8,640.00	\$8,640.00	X			X				
47	7000889	\$2,008.50	\$4,017.00	X			X				
	7000889	\$2,008.50		X							
			89								
			47								
		\$601,636.33	\$601,636.33	89	28	2	6	2	6	1	3
				\$601,636.33	\$361,298.95	\$383,477.80	\$86,149.80	\$17,933.20	\$121,448.40	\$25,000.00	\$31,858.68

Incorrect Object Codes Charged on PVEs & PVMs

Voucher Number PVEs	Voucher Amount	Line Amount (Voucher)	Description of Item	Incorrect Object Codes Used	Object Code That Should Have Been Charged
7001793	\$14,950.00	\$14,950.00	Telephone services include labor for all telephone moves, adds, changes and repairs.	4020	6020
7001008*	\$14,137.50	\$11,772.50			
7001431	\$14,040.00	\$14,040.00			
7002419	\$13,845.00	\$13,845.00			
7002423	\$27,580.00	\$27,580.00			
7001109	\$17,290.00	\$17,290.00			
7001383	\$16,120.00	\$16,120.00			
7002114	\$16,022.50	\$16,022.50			
7002011	\$15,730.00	\$15,730.00			
7001714	\$15,112.50	\$15,112.50			
FUND134	\$4,768.04	\$4,768.04	Welfare Fund	4600	0810
FUND136	\$4,756.62	\$4,756.62	Welfare Fund	4600	0810
FUND129	\$4,712.40	\$4,712.40	Welfare Fund	4600	0810
FUND128	\$4,584.49	\$4,584.49	Welfare Fund	4600	0810
FUND127	\$4,471.38	\$4,471.38	Welfare Fund	4600	0810
7000768	\$46,169.00	\$46,169.00	Renewal of Miserosoft Support Service	6080	6130
Sub-Total -16	\$234,289.43	\$231,924.43			
PVMs					
7002447	\$31,000.00	\$31,000.00	Paper Gusset Expense	4600	1000
7002262	\$19,010.88	\$19,010.88	Legal Publications	4600	3380
6002843	\$13,951.73	\$13,951.73	Fuel Service	4600	1060
6002854	\$12,787.00	\$12,787.00	Car Services	4600	6330
Sub-Total - 4	\$76,749.61	\$76,749.61			
20	\$311,039.04	\$308,674.04			

* Voucher number 700108 totaling \$14,137.50 was charged to two object codes 4020 and 6020 for \$11,772.50 and \$2,365.00.

Object Code #	Description of Object Codes
0810	Annuity Contribution
1000	Supplies and Materials - General-- All supplies not specifically classified in any of the other supply accounts.
1060	Motor Vehicle Fuel - All gasoline or alternative fuels related to operation of a motor vehicle. Included in this account are costs associated with the operation of automobiles, motorcycles, scooters, helicopters, trucks, buses, boats and other vehicles that are motor propelled.
3380	Library Books - Purchase of all books, periodicals, magazines, etc., which are used for library
4020	Telephone and other Communication - Charge to this account the rental cost covering telephone systems, cellular phone systems, mobile phone systems, fax machines, dictographs, voice mail answering machine services, paging devices, computer modems and other telephone equipment
4600	Special Expenditures - All special expenditures relative to elected officials and other criminal
6020	Telecommunications Maintenance - Expenditures for telephone installation charges; service of telecommunication equipment and systems (voice and data) i.e., telephone systems, etc.
6080	Maintenance and Repair - General - Contractual - Charge to this account all maintenance and expenditures not otherwise classified under a specific maintenance and repair code.
6130	Data Processing Equipment Maintenance - Contractual - All expenditures for the maintenance and repair of all data processing equipment.
6330	Transportation Services - All authorized expenditures for the transportation of pupils, the elderly, the disabled, inmates, and any car service contracts.