

AUDIT REPORT

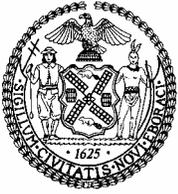


CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF FINANCIAL AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on Expenditures for Other Than Personal Services by the Office of the Criminal Justice Coordinator

FM06-108A

June 19, 2006



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 expenditures for Other Than Personal Services by the Office of the Criminal Justice Coordinator (CJC).

As a City office, CJC must comply with both the City's Policy Procurement Board rules and Comptroller's Directives when initiating purchases. We audit such City agencies to ensure that public funds are expended appropriately and in accordance with established procedures and safeguards.

The results of our audit, which are presented in this report, have been discussed with CJC officials, and their comments have been considered in preparing this report. Their complete written response is 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 cursive script that reads "William C. Thompson, Jr.".

William C. Thompson, Jr.

WCT/fh

Report: FM06-108A
Filed: June 19, 2006

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

**Audit Report on
Expenditures for Other Than Personal Services
By the Office of the Criminal Justice Coordinator**

FM06-108A

AUDIT REPORT IN BRIEF

The audit determined whether Other Than Personal Services (OTPS) payments for the Office of the Criminal Justice Coordinator were valid and accurate.

The Office of the Criminal Justice Coordinator (CJC), established pursuant to Chapter 1, §13, of the City Charter, is the Mayor's advisor on criminal justice policy and legislation and is responsible for coordinating the activities of the City criminal justice agencies, including the Police Department, the Fire Department, the Department of Correction, the Department of Probation, and the Department of Juvenile Justice. CJC also serves as the City's primary liaison with the court system, the five District Attorneys, and the State criminal justice system.

As a City office, CJC must comply with both the City's Policy Procurement Board rules and Comptroller's Directives when initiating purchases.

During Fiscal Year 2005, OTPS expenditures for CJC were \$8.4 million, as recorded in *The City of New York Comprehensive Annual Financial Report of the Comptroller*.

Audit Findings and Conclusions

CJC OTPS payments were processed appropriately, and the payments were valid and accurate.

Audit Recommendations

Since CJC payments complied with City purchasing guidelines and regulations, we make no recommendations in this report.

INTRODUCTION

Background

The Office of the Criminal Justice Coordinator (CJC), established pursuant to Chapter 1, §13, of the City Charter, is the Mayor's advisor on criminal justice policy and legislation and is responsible for coordinating the activities of the City criminal justice agencies, including the Police Department, the Fire Department, the Department of Correction, the Department of Probation, and the Department of Juvenile Justice. CJC also serves as the City's primary liaison with the court system, the five District Attorneys, and the State criminal justice system. Additional responsibilities include oversight of the arrest-to-arraignment system, the use of City moneys for legal services provided to indigent defendants, funding of alternative-to-incarceration programs, the City's Court Facilities Master Plan, and PINS (Persons in Need of Supervision) youth services.

The City's Policy Procurement Board rules (PPB rules) contain guidelines for the City's purchasing functions. The Comptroller's Internal Control and Accountability Directives (Comptroller's Directives) contain guidelines that cover a broad array of management issues, including internal controls and procedures important to the efficient and effective operation of City agencies. As a City office, CJC must comply with both PPB rules and Comptroller's Directives when initiating purchases.

During Fiscal Year 2005, OTPS expenditures for CJC were \$8.4 million, as recorded in *The City of New York Comprehensive Annual Financial Report of the Comptroller*.

Objective

Our audit objective was to determine whether OTPS payments for the Office of the Criminal Justice Coordinator were valid and accurate.

Scope and Methodology

The audit covered CJC OTPS purchases for Fiscal Year 2005 (July 1, 2004, through June 30, 2005).

To obtain a general understanding of the purchasing procedures and regulations with which CJC is required to comply, we reviewed Comptroller's Directives #1, #3, #6, and #24, as well as PPB rules §3-08 "Small Purchases" and §4-06 "Prompt Payment."

To evaluate the internal controls as they related to the audit objectives, we:

- interviewed CJC officials to obtain an understanding of the payments issued and the purposes of the office;

- interviewed officials from the Office of the Mayor, Fiscal Operations unit to understand the types of payments processed on behalf of CJC; and
- reviewed CJC's own documented policies and procedures for processing OTPS payments to check their compliance with the procurement guidelines cited above.

The validity and accuracy of CJC OTPS payments were determined by testing payments from the City's Financial Management Systems (FMS) list of all payments processed by CJC in Fiscal Year 2005. In Fiscal Year 2005, CJC processed 340 transactions totaling \$8.4 million. Based on the document review and interviews with CJC officials, 11 entries were excluded: 4 cash receipts and 7 intra-City transactions totaling \$183,785.¹ This brought the test population to 329 payments totaling approximately \$8.2 million. For reasons stated below, 79 payments totaling approximately \$8 million were excluded from our testing because of our reliance on work performed by the New York State Comptroller's Office and on annual fiscal and performance reviews performed by CJC.

For the remaining 250 payment transactions totaling \$137,740, we examined documentation for 182 payments totaling \$91,353, specifically: 142 randomly selected payments totaling \$76,329, all 19 miscellaneous vouchers totaling \$12,734, and all 21 reimbursement vouchers totaling \$2,290.²

For the 182 sampled payments, we reviewed each purchase document, payment voucher, original invoice, check copy, and other corresponding documentation in the voucher package to determine whether payments were reasonable and necessary and contained the required supporting documentation. We also determined whether the purchases were charged to the correct object codes, contained any duplicate payments, were properly authorized, excluded taxes where appropriate, had adequately dated and stamped invoices, and showed the business address as the shipping address. In addition, we determined whether there was adequate segregation of duties over the purchase function by checking whether the individual requesting payment was different from the individual authorizing them.

During the review of all 21 reimbursement vouchers, those payments made from the Mayor's Office imprest fund and allocated to CJC's budget code were checked to determine whether the purchases were CJC-related. A CJC employee list for the audit scope period was analyzed to determine whether reimbursements were made to CJC staff. In addition, the review

¹ Cash receipts are refunds that can occur for returned goods or a reimbursement for an overpayment. For intra-City purchases, an agency may purchase the goods on behalf of several agencies, and the agency buying the goods processes an internal purchasing voucher for payment. Therefore, since a cash receipt entry is a reversal of a purchase and intra-City transactions are purchases made by another entity on-behalf CJC but allocated to its budget line, we excluded them from our testing population.

² Payment vouchers are used to make payments on purchase documents or FMS contract documents for general purchases from external vendors. Miscellaneous payment vouchers are used for general purchases made without purchase documents or FMS contract documents—for example, when establishing an imprest fund account. Miscellaneous payment vouchers are to be used on a limited basis when the estimated or actual future liability is not determinable. Reimbursement vouchers are used to reimburse (replenish) an imprest fund account.

of all 19 miscellaneous vouchers included determining whether processing by CJC was performed according to specific guidelines in Comptroller's Directive #24, §6.3, "Miscellaneous Payment Vouchers."

We also determined whether CJC 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, by comparing the IRA Dates to the check issuance dates for all vouchers reviewed.

Although the results of the sample were not projected to all OTPS payments, they provided a reasonable basis to determine the accuracy and validity of CJC OTPS payments.

Finally, we decided not to test the remaining 79 payments, totaling approximately \$8 million, to performance-based contracts processed by CJC because we relied on of the work performed recently by the New York State Comptroller's Office and on the annual fiscal and performance reviews performed by CJC.

Reliance on the Work of Other Auditors

The New York State Comptroller's Office issued two audit reports regarding the performance-based contracts administered by CJC: *Alternatives to Incarceration Contract Management*, Report 2003-S-44, issued on September, 8, 2004, and a follow-up report, Report 2005-F-27, issued on September 28, 2005. The initial report, which covered the period July 1, 2002, through June 30, 2003, concluded that CJC had generally complied with the New York State Division of Probation and Correctional Alternatives and its own contract requirements by maintaining prescribed documentation that would support the services CJC provided to participants. The report recommended recovery of minor overpayments to two providers. The subsequent follow-up report noted that the recommendation had been partially implemented.

Based on the conclusions of the two New York State Comptroller's reports, the internal reviews conducted by CJC, and our current assessment of CJC's controls related to this area, we decided not to test the 79 payments totaling approximately \$8 million to performance-based contracts processed by CJC for our audit scope period (July 1, 2004–June 30, 2005).

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of records and other auditing procedures considered necessary. 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.

Discussion of Audit Results

The matters covered in this report were discussed with CJC officials during and at the conclusion of this audit. A preliminary draft report was sent to CJC officials and discussed at an exit conference held on May 9, 2006. On May 10, 2006, we submitted a draft report to those officials with a request for comments. A written response was received on May 23, 2006. In their response, CJC officials stated, "We are pleased the audit indicated that the Coordinator's payments were appropriate and all purchasing guidelines were followed."

The full text of the response from CJC is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

CJC OTPS payments were processed appropriately, and the payments were valid and accurate. Since CJC payments complied with City purchasing guidelines and regulations, we make no recommendations in this report.



ADDENDUM

THE CITY OF NEW YORK
OFFICE OF THE MAYOR
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MUNICIPAL BUILDING • ONE CENTRE STREET • TENTH FLOOR NORTH
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JOHN FEINBLATT
Criminal Justice Coordinator

May 23, 2006

John Graham
Deputy Comptroller
Audits, Accounting & Contracts
Office of the Comptroller
1 Centre Street, Room 503
New York, NY 10007

Dear Mr. Graham:

Thank you for the opportunity to respond to the audit findings pertaining to Other than Personal Services payments. We are pleased the audit indicated that the Coordinator's payments were appropriate and all purchasing guidelines were followed.

We would like to thank the auditors for their time and professionalism during the course of this audit.

Sincerely,

A handwritten signature in black ink, appearing to read "John Feinblatt".

John Feinblatt