



City of New York

OFFICE OF THE COMPTROLLER

Scott M. Stringer
COMPTROLLER



FINANCIAL AUDIT

Marjorie Landa

Deputy Comptroller for Audit

Audit Report on the Manhattan Borough
President's Office's Cash Controls over
Receipts from Minor Sales

FM15-075A

June 2, 2015

<http://comptroller.nyc.gov>



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NEW YORK, NY 10007

SCOTT M. STRINGER
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June 2, 2015

To the Residents of the City of New York:

My office has audited the Manhattan Borough President's Office's (MBPO) cash controls over receipts from minor sales. We audit City agencies such as the MBPO as a means of ensuring they operate efficiently and are accountable for resources and revenues in their charge.

The MBPO has a Topographical Unit that, for a fee, supplies the public with street maps, grade studies and certifications related to building and development, and issues new or alternative street addresses. The MBPO collected \$236,575 in revenue during Calendar Year 2014.

The audit found that the MBPO generally complied with Comptroller's Directive #11, *Cash Accountability and Control*. The audit concluded that there was an adequate segregation of duties with the various cash handling processes. The MBPO ensured that the cash receipt amounts agreed with the amounts deposited into the corresponding bank accounts and deposits were entered in to the City's Financial Management System. All checks received were made payable to the MBPO and a rubber stamp endorsement was placed on the back of all checks. The MBPO also maintained copies of bank deposit slips as well as pre-numbered customer receipts. Additionally, the MBPO did not accept cash, personal checks or company checks as payment, a practice strongly recommended by Directive #11.

However, the audit found that the MBPO did not deposit proceeds from the Topographical Unit's sales into the City's Treasury daily. Our review of the six bank deposits made during August 2014, totaling \$9,300, found that the bank checks and money orders were held anywhere from one to five days before being deposited in the bank. In addition, the MBPO did not adequately secure the accumulated funds in a safe overnight. Our inspection of the Topographical Unit's envelope containing receipts, certified checks, and money orders on April 14, 2015, found that collections from April 8, April 10, and April 13 were maintained inside the envelope awaiting transfer to the MBPO unit responsible for making the deposit.

The results of the audit have been discussed with MBPO officials, and their comments have been considered in preparing this report. Their 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.

Sincerely,

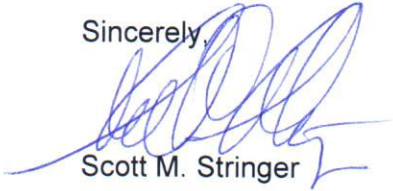

Scott M. Stringer

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THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER FINANCIAL AUDIT

Audit Report on the Manhattan Borough President's Office's Cash Controls over Receipts from Minor Sales

FM15-075A

AUDIT REPORT

Background

The Borough Presidents are the executive officials of each of New York City's five boroughs. The City Charter grants each Borough President, elected to a term of four years, the power to prepare and review budget proposals for the City Council; recommend capital projects; hold public hearings on matters of public interest; consult with the Mayor and the City Council on the preparation of the City's executive and capital budgets; review and recommend applications and proposals for the use, development or improvement of land within the borough; prepare environmental analyses required by law; provide technical assistance to the borough's community boards; monitor and make recommendations regarding the performance of contractual services in the borough; and propose legislation in the City Council.

The Manhattan Borough President's Office (MBPO) has a Topographical Unit that, for a fee, supplies the public with street maps, grade studies, and certifications related to building and development and issues new or alternative street addresses. The MBPO accepts certified checks and money orders as payment for these services. According to the City's Financial Management System, the MBPO deposited a total of \$236,575 in revenue generated from sales made by the Topographical Unit during Calendar Year 2014.

Objective

The objective of this audit was to determine whether the MBPO is in compliance with cash control procedures as set forth in Comptroller's Directive #11, *Cash Accountability and Control*.

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 MBPO's cash collections during Calendar Year 2014. 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 MBPO officials during and at the conclusion of this audit. A preliminary draft report was sent to MBPO officials and discussed at an exit conference held on May 12, 2015. On May 14, 2015, we submitted a draft report to MBPO officials with a request for comments. We received a written response from MBPO officials on May 29, 2015.

In their response, the MBPO officials did not dispute the report's findings and recommendations and stated, "We have reviewed the draft and your recommendations for bringing our procedures into compliance with the Comptroller's Directive #11. To that end, our Chief of Staff, our General Counsel, and I have drafted and plan to circulate the attached memorandum regarding procedures for handling monies received. We will make every effort to see that staff complies with the directives in the memo, specifically, that deposits of any checks and money orders are made as expeditiously as possible, and that in no event will they be kept in individual offices overnight."

The full text of their response is included as an addendum to this report.

FINDINGS

The MBPO generally complied with the cash control procedures set forth in Comptroller's Directive #11 for its Topographical Unit sales. Our review found that the MBPO adequately segregated duties with the various cash handling processes; the receipt amounts agreed with the amounts deposited into the bank account; the deposits were entered in the City's Financial Management System; all checks received were made payable to the MBPO; a rubber stamp endorsement was placed on the back of all checks; copies of bank deposit slips and customer receipts were maintained; and customer receipts were pre-numbered. Additionally, MBPO does not accept cash, personal check or company checks as payment, a practice strongly recommended by Directive #11.

However, the audit found that the MBPO did not deposit proceeds from the Topographical Unit's sales into the City's Treasury daily as required by Comptroller's Directive #11, §3.4 which states, "The inordinate accumulation of in-office cash receipts is not acceptable and, generally, all funds received must be deposited in the bank on at least a daily basis." Our review of the six bank deposits made during August 2014, totaling \$9,300, found that the bank checks and money orders were held anywhere from one to five days before being deposited in the bank. These six deposits ranged from \$800 to \$2,650.

In addition, the MBPO did not adequately secure the accumulated funds in a safe overnight as required by Comptroller's Directive #11, §3.5, which states that "cash and checks received too late to be included in the daily deposit must be stored overnight in an agency safe. Safes should also be used for temporary security of cash receipts awaiting the daily deposit." Our inspection of the Topographical Unit's envelope containing receipts, certified checks, and money orders on April 14, 2015, found that collections from April 8, April 10, and April 13 were inside the envelope awaiting transfer to the MBPO unit responsible for making the deposit. The Topographical Associate, the custodian of the envelope, explained that until the funds are transferred to the unit responsible for making the deposit, the accumulated funds are placed in an envelope and stored on his desk under the keyboard in his locked office. By not storing funds in its safe overnight, the MBPO fails to properly safeguard receipts.

RECOMMENDATIONS

The MBPO should:

1. Place receipts awaiting deposit in the office's safe.
2. Ensure that funds collected are deposited daily in the bank.

MBPO Response: “In order to address and cure these concerns, we are instituting the following mandatory procedures for the handling of the above-referenced monies:

1. Any and all money received should be processed as soon as possible. The records of receipt must be entered by the Topographical Unit and money transferred to [the MBPO Land Use Liaison] for entry in [the Land Use Liaison's] records. The monies must be deposited in the appropriate account as soon as possible thereafter. If immediate processing and deposit of monies received is not practicable on the date receive, the funds MUST be placed in the office safe.”

“2. The MBPO, working with the Department of Finance, is in the process of establishing a new bank account for the deposit of Payments for Minor Sales. This account will enable the direct electronic deposit of checks and money orders through a dedicated scanning device. . . . The goal is to ensure that whenever possible, payments are recorded and electronically deposited the day they are received.”

“3. In the event that the MBPO receives payment for production of FOIL documents . . . deposits [will be] made of such funds by the method described above as soon as practicable after receipt.”

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 performed 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, 2014, through December 30, 2014. To gain an understanding of the cash control procedures and regulations that apply to the MBPO, we reviewed Comptroller's Directive # 11, *Cash Accountability and Control*. We interviewed MBPO officials and staff to gain an understanding of the internal control process over revenue collected. We conducted a walkthrough of the MBPO Topographical Unit to familiarize ourselves with its operations. In addition, we conducted observations of the MBPO sales receipt process for fees collected by the Topographical Unit. We observed that the checks received were made payable to the order of the City of New York or the MBPO and were rubber stamp-endorsed.

We randomly selected the month of August 2014 and reviewed all transactions, which included 32 receipts totaling \$9,300, to determine whether the processing of the receipts was in accordance with Comptroller's Directive #11. We also examined all of the corresponding receipts to determine if they were pre-printed and in sequential order. We then traced all of the sales receipts amounts to the daily cash deposit slips to determine if amounts agreed with those deposited into the corresponding bank account. We examined all received checks to ensure that all checks were made payable to the order of the City of New York or the MBPO. We also reviewed whether all sales were properly recorded and all revenue collected was deposited the same or following day to the Treasury Collection Account as required by Comptroller's Directive #11. Finally, we checked to see if the deposits were entered into the City's Financial Management System.



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Gale A. Brewer, Borough President

May 28, 2015

Marjorie Landa,
Deputy Comptroller
Office of the Comptroller of the City of New York
1 Centre Street, Rm. 1100
New York, New York 10007
BY HAND

Re: Response to Comptroller's Draft Audit Reports on MBPO's Cash Controls On Receipts from Minor Sales – FM15-075A

Dear Ms. Landa,

Thank you for providing us with a draft of your report on your audit of our Cash Controls over Receipts from Minor Sales. We have reviewed the draft and your recommendations for bringing our procedures into compliance with the Comptroller's Directive #11. To that end, our Chief of Staff, our General Counsel, and I have drafted and plan to circulate the attached memorandum regarding procedures for handling monies received. We will make every effort to see that staff complies with the directives in the memo, specifically, that deposits of any checks and money orders are made as expeditiously as possible, and that in no event will they be kept in individual offices overnight.

As you know, we have a relatively small staff, and many of us perform multiple tasks. However, even if we cannot make deposits on an immediate or daily basis, they will be made as expeditiously as possible, and if deposits cannot be immediate, all money received will be secured in the office safe.

I have been speaking with staff of the Department of Finance, who contacted us --I believe at your office's (very helpful) behest, -- and will be working with them to establish a new account for electronic deposit of funds. I believe that, and diligent compliance with the procedures in the attached memo, will bring us into compliance with Comptroller's Directive #11.

M. Landa
May 28, 2015
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In addition, we will follow the same guidelines for deposit of any money received for duplication costs involved in FOIL production, although I don't anticipate the amounts exceed a few hundred dollars annually. Of course, we would welcome your advice and feedback on that.

Thank you for your efforts in this matter.

Sincerely,

A handwritten signature in cursive script, appearing to read "Adele Bartlett".

Adele Bartlett,
Deputy General Counsel

Enc.

cc.: J. Mates
J. Caras



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Gale A. Brewer, Borough President

To: Deidre Lyles
Ingrid Grant
Hector Rivera
Dawn Billings
Deron Hill

From: Jessica Mates; Adele Bartlett; Jim Caras

Re: **Procedure Governing Receipt, Retention and Deposit of Payments For Minor Sales**

Date: May 25, 2015

As most of you are aware, an audit of our Office's Cash Controls Over Receipts From Minor Sales was conducted this month by the Comptroller's Office. The report of that audit brought to light two areas of concern in our otherwise secure and reliable system for handling payments received by the Topographical Unit. The first problem was that some payments were not secured overnight, but were left in individual offices. The second issue raised by the audit was the lack of daily bank deposits of monies received.

In order to address and cure these concerns, we are instituting the following mandatory procedures for the handling of the above-referenced monies:

1. Any and all money received should be processed as soon as possible. The records of receipt must be entered by the Topographical Unit and money transferred to Dawn Billings for entry in her records. The monies must be deposited in the appropriate account as soon as possible thereafter. If immediate processing and deposit of monies received is not practicable on the date receive, the funds **MUST** be placed in the office safe. **NO FUNDS MAY BE LEFT IN INDIVIDUAL OFFICES OVERNIGHT.** This procedure must be followed regardless of the processing stage at the close of business, by whoever has custody of the payments. In the event that monies are placed in the office safe, a notifying email must be sent by whoever does so, to all employees involved in processing and deposit of monies.
2. The MBPO, working with the Department of Finance, is in the process of establishing a new bank account for the deposit of Payments for Minor Sales. This account will enable the direct electronic deposit of checks and money orders through a dedicated scanning device. Appropriate personnel will be trained on the use of said device. After receipt of monies has been duly recorded by both the Topographical Unit (Hector Rivera) and Dawn Billings, the monies will be transferred to Ingrid Grant as soon as possible to be prepared for electronic bank deposit. The goal is to ensure that whenever possible, payments are recorded and electronically deposited the day they are received.
3. In the event that the MBPO receives payment for production of FOIL documents, records of such receipts will be maintained by Adele Bartlett, and deposits made of such funds by the method described above as soon as practicable after receipt.