

AUDIT REPORT

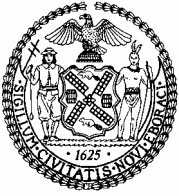


CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF FINANCIAL AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on the Financial and Operating Practices of the Financial Information Services Agency

FP06-079A

May 03, 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 Comptroller's responsibilities contained in Chapter 5, §93, of the New York City Charter, my office has audited the Financial Information Services Agency (FISA) to determine whether it has complied with certain payroll, personnel, timekeeping, purchasing, and inventory procedures, as set forth in the New York City Comptroller's Internal Control and Accountability Directives, DCAS personnel rules and leave regulations, Payroll Management System Guidelines, the New York City Department of Investigation *Standards for Inventory Control and Management*, and applicable Procurement Policy Board rules. The results of this audit, which are presented in this report, have been discussed with FISA officials, and their comments have been considered in the preparation of this report.

Audits such as this provide a means of ensuring that City resources are used effectively, efficiently, and in the best interest of the public.

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

Very truly yours,

A handwritten signature in cursive script that reads "William C. Thompson, Jr.".

William C. Thompson, Jr.

WCT/fh

Report: FP06-079A
Filed: May 03, 2006

Table of Contents

AUDIT REPORT IN BRIEF	1
INTRODUCTION	
Background	3
Objective	3
Scope and Methodology	3
Discussion of Audit Results	6
FINDINGS AND RECOMMENDATIONS	7
Payroll and Timekeeping Weaknesses – Payroll Recommendations	7 7
Payroll and Timekeeping Weaknesses – Timekeeping Recommendations	7 8
Employees Permitted to Carry Compensatory Time Beyond the 120 Day Limit without Authorization Recommendation	8 8 8
Imprest Fund Recommendation	8 8
Incomplete Inventory Records Recommendation	8 9

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

**Audit Report on the
Financial and Operating Practices of the
Financial Information Services Agency**

FP06-079A

AUDIT REPORT IN BRIEF

This audit determined whether the Financial Information Services Agency (FISA) is complying with certain payroll, personnel, timekeeping, purchasing, and inventory procedures, as set forth in the New York City Comptroller's Internal Control and Accountability Directives (Comptroller's Directives) #3, #13, and #24, Department of Citywide Administrative Services (DCAS) personnel rules and leave regulations, the FISA's Employee Manual, Department of Investigation (DOI) Standards for Inventory Control and Management, and the Procurement Policy Board (PPB) rules.

Audit Findings and Conclusions

FISA generally adhered to the requirements of Comptroller's Directives #3, #13, and #24, DCAS' time and leave regulations, the FISA Manual, DOI's inventory standards, and applicable PPB rules. In addition, our examination of the FISA's Other Than Personal Service expenditures disclosed no instances in which moneys were improperly used. However, FISA did not always comply with certain aspects of Comptroller's Directive #3, DCAS time and leave regulations, and DOI inventory standards. Specifically:

- three managerial employees were not within the salary range of their titles under the Pay Plan Schedule for Management Employees;
- 13 instances of employees arriving at work later than the arrival time indicated on FISA's timekeeping system;
- six non-managerial employees had a combined total of 1,417 hours of compensatory time that was not used within 120 days;
- imprest fund checks are not pre-printed with the restrictive endorsement statement, "void after 90 days"; and;

- FISA inventory list is incomplete, inaccurate, and contained identification errors.

We recommend that FISA should ensure that:

- Employees are transferred into titles for which they qualify and that have salary ranges that encompass their current pay levels.
- Supervisors more carefully oversee the arrival and departure time of their employees to make certain that the hours worked are recorded accurately on the system.
- Employees are required to use compensatory time within 120 days after it is earned; if it is not used, FISA should convert and incorporate compensatory time into employees' sick leave balances.
- Imprest fund checks are imprinted with the words "Void After 90 Days."
- Complete and accurate inventory records are maintained.

INTRODUCTION

Background

The Financial Information Services Agency (FISA) is responsible for the data-processing operations that support the activities of City personnel and units that organize, compile, coordinate, and report on the City's central financial records, data, and related information.

Through the City's Payroll Management System, FISA prepares a computerized payroll for all municipal employees; it provides prompt payment of overtime, other premiums, and retroactive pay, and allows accurate and up-to-date personnel record keeping.

FISA maintains the Financial Management System (FMS) which is used by City Officials responsible for the administration of the City's budget and accounting of City Funds. FMS processes all the data for the City's budgets, accounting, and vendor payments, and furnishes the Comptroller with pertinent financial data.

During Fiscal Year 2005, FISA expended \$17,221,252 on Personal Service (PS) expenditures and \$13,878,341 on Other Than Personal Service (OTPS) expenditures.

Objective

The objective of this audit was to determine whether FISA is complying with certain payroll, personnel, timekeeping, purchasing, and inventory procedures, as set forth in the New York City Comptroller's Internal Control and Accountability Directives (Comptroller's Directives), Department of Citywide Administrative Services (DCAS) personnel rules and leave regulations, Payroll Management System (PMS) Guidelines, the New York City Department of Investigation (DOI) *Standards for Inventory Control and Management*, and Procurement Policy Board (PPB) rules.

Scope and Methodology

This audit covered the period July 1, 2004, through June 30, 2005. To obtain an understanding of the payroll, personnel, timekeeping, purchasing, and inventory procedures and regulations with which FISA is required to comply, relevant provisions of: Comptroller's Directives #3, #13, and #24; DCAS personnel rules and leave regulations; PMS Guidelines; DOI's inventory standards; and applicable PPB rules were reviewed. Auditors interviewed staff at FISA to obtain an understanding of the payroll, personnel, timekeeping, and purchasing procedures in place and to determine how physical assets are safeguarded.

Tests of Compliance with Comptroller's Directive #13, DCAS Personnel and Leave Regulations, and PMS Guidelines

Attendance records of 23 employees—18 non-managerial employees and five managerial employees—for the month of June 2005 were reviewed to determine whether FISA maintains reliable and accurate timekeeping records. These 23 employees were randomly selected from the 220 active employees (175 non-managerial employees and 45 managerial employees) listed on FISA's payroll records for the month ending June 30, 2005, so as to assess records at fiscal-year end. Attendance records were examined for completeness and evidence of supervisory review. For the week ending October 22, 2005, auditors compared the arrival time recorded on the computerized timekeeping system to the arrival time recorded on the surveillance video tapes when an employee enters the FISA offices. The attendance records were compared to the PMS Employee Leave Details Report (PEILR721) to determine whether all reportable timekeeping transactions were accurately posted on PMS. Compensatory time transactions and annual leave use were reviewed for evidence of proper approvals and posting.

For tests of separation payments, auditors selected a judgmental sample of 6 of the 25 employees (3 managerial and 22 non-managerial employees) who separated from City service during Fiscal Year 2005 and determined whether separation payments to these individuals were properly calculated. In addition to reviewing separation payments for the six employees, auditors also checked whether all six employees were appropriately removed from the City payroll.

To determine whether FISA employees were receiving salaries that were within the salary ranges of their civil service titles, the salaries of all individuals listed on PMS as employees as of July 30, 2004, were compared to the minimum and maximum salary amounts of their titles specified in the City Career and Salary Plan and in the Pay Plan Schedule for Management Employees. The Paycheck Distribution Control Report (form 319) for the pay periods ending June 3 and June 17, 2005, was reviewed to ascertain whether employees signed for their paychecks as required by PMS guidelines.

Auditors determined whether compensatory time was carried beyond the 120-day limit and whether it was transferred to sick leave for the 18 individuals in our sample for whom this procedure applied. If such compensatory time was not transferred to sick leave, it was determined whether the employee's personnel file contained documentation authorizing that the time be carried over. It was also determined whether medical documentation, when required by City Time and Leave regulations, appropriately supported sick-leave use. Finally, it was determined whether approved carryover authorizations were present in employees' personnel files for those employees who had excess annual leave balances (more than the amount that each employee earns in a two-year period) to their credit.

The results of the above tests, while not projectable to all employees, provided a reasonable basis to assess the compliance of FISA with Comptroller's Directive #13, DCAS personnel rules and leave regulations, and PMS Guidelines.

Tests of Compliance with Comptroller's Directives #3, #24, and with PPB Rules

Auditors examined 15 randomly selected contracts totaling \$1,353,404 from the population of 62 and their 27 corresponding vouchers issued by FISA during Fiscal Year 2005. In addition, they examined 15 randomly selected purchase documents (five small purchase documents and 10 micro purchase documents) from the population of 181 and the 66 corresponding vouchers and 2 randomly selected miscellaneous vouchers from the population of 16 issued by FISA during Fiscal Year 2005. They examined each purchase document and voucher for the requisite approvals and authorizations and for evidence that the transactions were for proper business purposes and were supported by adequate documentation. For the 95 vouchers, they also determined whether: each voucher was properly coded; an authorized purchase order was on file if applicable; sales and excise taxes were properly excluded from payments; and bids were obtained when required by PPB rules. With regard to the two miscellaneous vouchers, it was determined whether the vouchers were issued for only allowable purposes.

To assess FISA's controls over the imprest fund, 26 imprest fund checks totaling \$2,256 that were issued in January and June 2005, were examined. Also, auditors reviewed the imprest fund control log, traced the checks to the bank statements, and examined each check for the following items: two authorized signatures and amounts, specific payees (as opposed to "bearer" or "cash"), eligibility of expenditures, and proper endorsements. Checks were also examined to determine whether the "void after 90 days" inscription was on each check. Finally, auditors

determined whether FISA accurately performed monthly bank reconciliations and whether individual imprest fund expenditures were within the \$250 allowable amount.

The results of the above tests, while not projectable to all payment vouchers processed during the audit period, provided a reasonable basis to assess FISA's compliance with Comptroller's Directives #3, #24, and PPB rules.

Tests of Compliance with DOI Inventory Standards

A random selection of 79 of the 1,266 major equipment items (including computers, monitors, printers, scanners, laptops, fax machines, televisions, and automobiles) listed on FISA's inventory records as of December 6, 2005, (the most current list available) was examined to determine whether they were on hand at FISA. The entire inventory list was examined to determine whether there were missing or repetitive serial numbers and identification tag numbers. Auditors also determined whether 25 other pieces of equipment that were observed were properly listed on the inventory records. Finally, auditors determined whether all items examined were properly tagged as property of FISA. The results of the above tests, while not projectable to all major equipment items, provided a reasonable basis to assess FISA's controls over inventory as specified in DOI inventory standards.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of the 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 FISA officials during and at the conclusion of this audit. A preliminary draft report was sent to FISA officials on March 20, 2006. On March 30, 2006, FISA officials waved their right to an exit conference. On April 5, 2006, we submitted a draft report to FISA officials with a request for comments. We received written comments from FISA on April 10, 2006 in which it generally agreed with the audit recommendations and described the specific steps that it has taken or will take to address the exceptions noted in the report. The full text of the comments is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

FISA generally adhered to the requirements of Comptroller's Directives #3, #13, and #24, DCAS time and leave regulations, PMS Guidelines, DOI's inventory standards, and applicable PPB rules. In addition, FISA's OTPS expenditures disclosed no instances in which moneys were improperly used. However, FISA did not always comply with certain aspects of Comptroller's Directive #3, DCAS time and leave regulations, and DOI inventory standards. These instances of noncompliance, which did not cause us to change our overall opinion, are discussed in detail in the following sections of this report.

Payroll and Timekeeping Weaknesses

Payroll

The annual salaries of three of FISA's 45 managerial employees were not within the salary range of their titles under the Pay Plan Schedule for Management Employees, as required by Mayor's personnel order. The salaries of three employees exceeded the maximum pay rates for their titles by \$1,994, \$4,648, and \$9,315 respectively.

Recommendation

1. FISA should ensure that employees are transferred into titles for which they qualify and that have salary ranges that encompass their current pay levels.

FISA Response: "FISA understands this recommendation."

Timekeeping

FISA uses a computerized timekeeping system to keep track of employees' time. This system allows each employee to manually enter their arrival and departure times into the system. In order to verify the arrival time entered into the system by the sampled employees, we compared the arrival time entered on the system by the 23 employees in our sample to the arrival time shown on the surveillance video tapes at FISA for the week ending October 22, 2005. FISA makes use of a surveillance video system for the purpose of protecting the agency's property; however, it also captures the arrival and departures of its employees. Based on the review of the week ending October 22, 2005, there were 13 instances of employees arriving at work later than the arrival time indicated on the system. These discrepancies ranged from 15 minutes to 1 hour and 27 minutes. FISA officials stated that the reason there were discrepancies may be due to some employees rounding their arrival time.

Adequate timekeeping controls require a system under which employees record their daily arrival and departure times and their leave use. Effective timekeeping procedures bring consistency to the process by preventing abuses or misunderstandings and result in complete and accurate records. Ineffective procedures may result in an employee's being compensated for time not worked because of unnoticed tardiness, unexcused early departure, or undocumented absence.

Recommendation

2. FISA should ensure that supervisors more carefully oversee the arrival and departure time of their employees to make certain that the hours worked are recorded accurately on the system.

FISA Response: “FISA expects its employees to enter the actual time they start and finish work each day. As was indicated at a recent meeting on the audit findings, FISA has found that many employees at FISA round their entries in the CityTime timekeeping system. Employees have recently been advised that,

‘Every employee has an obligation to put the actual time they arrive to work and the actual time they leave work on the time record they certify and submit for approval. Any contractually defined rounding rules are built into the CityTime system and these will be applied to the actual time that is entered on a timecard. Self rounding is not permitted.’ [emphasis in the original]

In addition to this notice, supervisors have been and will continue to be reminded periodically to make every effort to reasonably assure that the time records submitted to them are accurate.”

Employees Permitted to Carry Compensatory Time Beyond the 120 Day Limit without Authorization

For the period July 1, 2004, through October 31, 2004, six of the 18 non-managerial employees had a combined total of 1,417 hours of compensatory time that was not used within 120 days. For the period January 1, 2005, through April 30, 2005, seven employees (including six employees from the prior period) had a combined total of 1,512 hours of compensatory time that was not used within 120 days. According to DCAS Time and Leave Regulations, employees must use compensatory time within four months of its being earned. Any such time not used should be added to the employees’ sick leave balances, unless the agency authorizes employees in writing to carry it over. However, no such authorizations were on file for the seven employees.

Recommendation

3. FISA should ensure that employees are required to use compensatory time within 120 days after it is earned; if it is not used, FISA should convert and incorporate compensatory time into employees’ sick leave balances.

FISA Response: “FISA agrees with this recommendation.”

Imprest Fund

FISA does not have its imprest fund checks pre-printed with the restrictive endorsement statement, “void after 90 days,” nor, as an alternative, does it have its checks stamped with that restriction. Comptroller’s Directive #3, §5.1.3., states, “Checks must be imprinted ‘void after 90 days.’” Restricting the time that a check is negotiable increases the likelihood that the check will clear within a reasonable time. This would assist FISA in maintaining an accurate imprest fund balance when reconciling its monthly bank statements.

Recommendation

4. FISA should ensure that imprest fund checks are imprinted with the words “Void After 90 Days.”

FISA Response: “FISA agrees with this recommendation.”

Incomplete Inventory Records

Our observation of a sample of 79 items from FISA’s inventory records found that they were all properly tagged and on hand in FISA. We also observed an additional 25 items and found that they were properly tagged and accounted for. However, a review of the FISA inventory list found that it was incomplete, inaccurate, and contained identification errors. Table I, following, lists the types of error found and the number of times each error was found.

Table I
Errors on Inventory List

Population	CPUs	Monitors	Fax Machines	Printers	Others	Vehicles	Total
Total inventory population	563	491	35	83	82	12	1266
Serial number repeats	8	13	0	1	0	0	22
Identification tag number repeats	3	0	0	1	1	0	5
No serial number	39	33	5	0	13	0	90
No asset tag number	100	34	0	3	4	0	141

Additionally, from our sample of 79 randomly selected inventory items, the records listed:

- Two items with both incorrect serial and identification tag numbers;
- Six items with incorrect serial numbers;
- Three items with incorrect identification tag numbers;
- Five items at incorrect locations.

Section 28 of the DOI inventory standards states, “Permanent records are maintained, centrally, to track all non-consumable goods issued to each agency unit, including type of equipment, manufacturer, serial number, agency control number, condition, location, date issued, and the person(s) responsible for maintenance.”

Recommendation

5. FISA should ensure that complete and accurate inventory records are maintained.

FISA Response: “FISA agrees with the need to maintain complete and accurate inventory records. We have been developing a plan to implement an automated inventory process to facilitate increased accuracy.”



The City of New York
Financial Information Services Agency

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MICHAEL R. BLOOMBERG, *Mayor*
WILLIAM C. THOMPSON, JR., *Comptroller*

ROBERT W. TOWNSEND
Executive Director

April 7, 2006

Mr. John Graham
Deputy Comptroller
Audits, Accountancy & Contracts
Office of the Comptroller
Executive Offices
One Centre Street
New York, NY 10007

RE: Audit Report on the Financial and Operating Practices of the Financial Information Services Agency FP06-079A

Dear Mr. Graham:

FISA has reviewed the above referenced audit report and has provided Management responses as appropriate.

Payroll and Timekeeping Weakness

Payroll

The annual salaries of three of FISA's 45 managerial employees were not within the salary range of their titles under the Pay Plan Schedule for Management Employees, as required by Mayor's personnel order. The salaries of three employees exceeded the maximum pay rates for their titles by \$1,994, \$4,648 and \$9,315 respectively.

Recommendation 1:

FISA should ensure that employees are transferred into titles for which they qualify and that have salary ranges that encompass their current pay levels.

FISA Management Response:

FISA understands this recommendation.

Timekeeping

FISA uses a computerized timekeeping system to keep track of employee' time. This system allows each employee to manually enter their arrival and departure times into the system. In order to verify the arrival time entered into the system by the sampled employees in our sample to the arrival time shown on the surveillance video tapes at FISA for the week ending October 22, 2005, FISA makes use of a surveillance video system for the purpose of protecting the agency's property; however, it also captures the arrival and departures of its employees. Based on the review of the week ending October 22, 2005, there were 13 instances of employees arriving at work later than the arrival time indicated on the system. These discrepancies ranged from 15 minutes to 1 hour and 27 minutes. FISA officials stated that the reason there were discrepancies may be due to some employees rounding their arrival time.

Adquate timekeeping controls require a system under which employees record their daily arrival and departure times and their leave use. Effective timekeeping procedures bring consistency to the process by preventing abuses or misunderstandings and result in complete and accurate records. In effective procedures may result in an employee's being compensated for time not worked because of unnoticed tardiness, unexcused early departure, or undocumented absence.

Recommendation 2:

FISA should ensure that supervisors more carefully oversee the arrival and departure time of their employees to make certain that the hours worked are recorded accurately on the system.

FISA Management Response:

FISA expects its employees to enter the actual time they start and finish work each day. As was indicated at a recent meeting on the audit findings, FISA has found that many employees at FISA round their entries in the CityTime timekeeping system. Employees have recently been advised that,

"Every employee has an obligation to put the actual time they arrive to work and the actual time they leave work on the time record they certify and submit for approval. Any contractually defined rounding rules are built into the CityTime system and these will be applied to the actual time that is entered on a timecard. Self rounding is not permitted."

In addition to this notice, supervisors have been and will continue to be reminded periodically to make every effort to reasonably assure that the time records submitted to them are accurate.

Employees Permitted to Carry Compensatory Time Beyond the 120 Day Limit without Authorization

For the period July 1, 2004, through October 31, 2004, six of the 18 non-managerial employees had a combined total of 1,417 hours of compensatory time that was not used within 120 days. For the period January 1, 2005, through April 30, 2005, seven employees (including six employees from the prior period) had a combined total of 1,512 hours of compensatory time that was not used within 120 days. According to DCAS Time and Leave Regulations, employees must use compensatory time within four months of its being earned. Any such time not used should be added to the employees' sick leave balances, unless the agency authorized employees in writing to carry it over. However, no such authorizations were on file for the seven employees.

Recommendation 3:

FISA should ensure that employees are required to use compensatory time within 120 days after it is earned; if it is not used, FISA should convert and incorporate compensatory time into employees' sick leave balances.

FISA Management Response:

FISA agrees with this recommendation.

A considerable amount of compensatory time balances exist as a result of Y2K preparations and the FMS implementation. Additional citywide IT project work centered at FISA has limited FISA's ability to liquidate these balances and in fact has in some instances lead to increases in balances. Prior to the audit finding, however, FISA did initiate a plan to reduce compensatory time balances to the extent permitted by agency workload. We have identified employees where it is believed reductions are currently possible and have provided target reduction amounts. We will look at developing a plan to further reduce balances to the extent business requirements permit. Where this is not possible, FISA will institute a process whereby employees are authorized in writing to carry over the leave time.

Imprest Fund

FISA does not have its imprest fund checks pre-printed with the restrictive endorsement statement, "void after 90 days," nor, as an alternative, does it have its checks stamped with that restriction. Comptroller's Directive #3, 5,1.3., states, "Checks must be imprinted "void after 90 days." Restricting the time that a check is negotiable increases the likelihood that the check will clear within a reasonable time. This would assist FISA in maintaining an accurate imprest fund balance when reconciling its monthly bank statements.

Recommendation 4:

FISA should ensure that imprest fund checks are imprinted with the words "Void After 90 Days."

FISA Management Response:

FISA agrees with this recommendation. We do, however, have a manual process in place whereby follow-ups are routinely performed to ensure that imprest fund checks are timely cashed. This methodology has enabled FISA to consistently maintain accurate balances and bank statement reconciliations. We will institute the recommendation first by utilizing a stamp to print the restrictive endorsement statement on the balance of imprest fund checks in stock (approximately 450 checks), and thereafter, we will have the required statement pre-printed onto checks as they are ordered.

Incomplete Inventory Records

Our observation of a sample of 79 items from FISA's inventory records found tht they were all properly tagged and on hand in FISA. We also observed and additional 25 items and found that they were properly tagged and accounted for. However, a review of the FISA inventory list found that it was incomplete, inaccurate, and contained identification errors. Table I. following, lists the types of error found and the number of times each error was found.

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Section 28 of the DOI inventory standards states, "Permanent records are maintained, centrally, to track all non-consumable goods issued to each agency unit, including type of equipment, manufacturer, serial number, agency control number, condition, location, date issued, and the person(s) responsible for maintenance."

Recommendation 5:

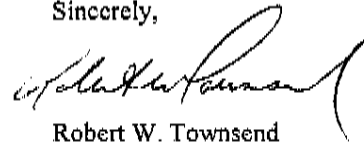
FISA should ensure that complete and accurate inventory records are maintained.

FISA Management Response:

FISA agrees with the need to maintain complete and accurate inventory records. We have been developing a plan to implement an automated inventory process to facilitate increased accuracy.

If you have any questions on these comments, please contact Ms. Adele Croce at (212) 857-1113.

Sincerely,



Robert W. Townsend
Executive Director

cc: A.R. Edley
E. Fitzpatrick
A. Croce