

# AUDIT REPORT

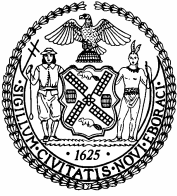


CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
BUREAU OF FINANCIAL AUDIT  
**WILLIAM C. THOMPSON, JR., COMPTROLLER**

## **Audit Report on the Financial and Operating Practices of The New York City Commission on Human Rights**

*FP08-092A*

**June 26, 2008**



THE CITY OF NEW YORK  
DEPARTMENT 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 compliance of the New York City Commission on Human Rights with certain City purchasing and inventory procedures.

The New York City Commission on Human Rights enforces the New York City Human Rights Law. It maintains a Community Service Center in each borough, which addresses discrimination complaints and implants educational and enforcement programs that target accessibility, fair housing, employment, and immigrant issues. We audit City agencies such as this as a means of ensuring that they comply with applicable procedures and are accountable for City funds and resources.

The results of our audit, which are presented in this report, have been discussed with the New York City Commission on Human Rights officials, and their comments have been considered in the preparation of this report. The Commission chose not to submit a written response 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](mailto: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: FP08-092A**  
**Filed: June 26, 2008**

## *Table of Contents*

<b>AUDIT REPORT IN BRIEF</b>	1
Audit Findings and Conclusions	1
Audit Recommendations	2
<b>INTRODUCTION</b>	3
Background	3
Objectives	3
Scope and Methodology	3
Discussion of Audit Results	5
<b>FINDINGS AND RECOMMENDATIONS</b>	6
Purchases Lacked Bidding Documentation	6
Recommendations	7
Incorrect Object Codes	7
Recommendation	7
Improper Imprest Fund Expenditures	7
Recommendation	8
Imprest Fund Purchases Exceeded the \$250 Limit	8
Recommendation	8
Incorrect Restrictive Endorsement On Imprest Fund Checks	8
Recommendation	8
Imprest Fund Invoices/Receipts	
Not Stamped "PAID \$ CHECK # DATE"	9
Recommendation	9
Inventory Control Weaknesses	9
Recommendations	9

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

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Financial and Operating Practices of the  
New York City Commission on Human Rights**

**FP08-092A**

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**AUDIT REPORT IN BRIEF**

The New York City Commission on Human Rights (CCHR) is a Charter-mandated agency. It is responsible for enforcing the New York City Human Rights Law, one of the most comprehensive civil rights laws in the nation. CCHR maintains a Community Service Center in each borough, which addresses discrimination complaints and implants educational and enforcement programs that target accessibility, fair housing, employment, and immigrant issues.

This audit determined whether CCHR is complying with certain City purchasing and inventory procedures. During Fiscal Year 2007, Other Than Personal Service (OTPS) expenditures for the New York City Commission on Human Rights amounted to \$1,849,980.

**Audit Findings and Conclusions**

CCHR generally adhered to Comptroller's Directives #3, #6, and #24; applicable Procurement Policy Board rules; and the Department of Investigation *Standards for Inventory Control and Management*. However, there were minor instances in which CCHR did not comply with certain purchasing and inventory procedures. CCHR:

- lacked bidding documentation for two contracts totaling \$23,604;
- charged the incorrect object code for 3 of the 67 purchase vouchers tested, totaling \$42,442, and 1 of the 5 miscellaneous vouchers tested, totaling \$1,369;
- improperly spent \$386 from its imprest fund account for a retirement party for one of its employees;
- issued a \$572 electronic fund transfer payment to United Parcel Service for delivery services through its imprest fund account, which exceeded the \$250 limit;

- does not have its imprest fund checks imprinted with the restrictive endorsement statement, “void after 90 days”;
- did not hand stamp “PAID \$ CHECK # DATE” on seven invoices and receipts attached to the imprest fund vouchers; and
- did not maintain complete and accurate inventory records.

### **Audit Recommendations**

We make the following 10 recommendations to CCHR. CCHR should ensure that:

- Documentation of bidding is maintained on file.
- Justification for use of sole-source vendors is in accordance with the PPB rules.
- All payments are charged to the correct object code.
- City funds are not used for retirement luncheons.
- Imprest fund purchases do not exceed \$250.
- Imprest fund checks are imprinted with the restrictive endorsement statement “void after 90 days.”
- All invoices and receipts are hand stamped with the information “PAID \$ CHECK # DATE.”
- Identification tags are affixed to all items.
- Tag numbers are included for each item listed on the inventory list.
- Complete and accurate records of all equipment are maintained.

## INTRODUCTION

### **Background**

The New York City Commission on Human Rights (CCHR), a Charter-mandated agency, was established in 1955 under Local Law 55 as the Commission on Intergroup Relations. In 1962, the Commission was renamed when the investigative and enforcement powers of the Commission were expanded.

The New York City Human Rights Law, Title 8 of the Administrative Code of the City of New York, is one of the most comprehensive civil rights laws in the nation. The law prohibits discrimination in employment, housing, and public accommodations based on race, color, creed, age, national origin, alien or citizenship status, gender (including gender identity and sexual harassment), sexual orientation, disability, or partnership status.

CCHR maintains a Community Service Center in each borough. Each Community Service Center is responsible for addressing discrimination complaints and implanting educational and enforcement programs that target accessibility, fair housing, employment, and immigrant issues.

During Fiscal Year 2007, Other Than Personal Service (OTPS) expenditures for the New York City Commission on Human Rights amounted to \$1,849,980.

### **Objectives**

This audit was conducted to determine whether the New York City Commission on Human Rights is complying with certain purchasing and inventory procedures as set forth in the New York City Comptroller's Internal Control and Accountability Directives #3, #6, and #24; applicable Procurement Policy Board rules; and the Department of Investigation *Standards for Inventory Control and Management*.

### **Scope and Methodology**

This audit covered the period July 1, 2006, through June 30, 2007.

To obtain an understanding of the purchasing and inventory procedures and regulations with which CCHR is required to comply, we reviewed relevant provisions of: Comptroller's Directive #3, "Procedures for the Administration of Imprest Funds"; Directive #6, "Travel, Meals, Lodging and Miscellaneous Agency Expenses"; Directive #24, "Agency Purchasing Procedures and Controls"; applicable Procurement Policy Board rules; and the Department of Investigation *Standards for Inventory Control and Management*. We also reviewed the Financial Integrity Statement for Calendar Year 2006 submitted by CCHR in accordance with Comptroller's Directive #1, "Financial Integrity Statement Filing for Calendar Year 2006." We interviewed staff to obtain an understanding of the purchasing procedures and to determine how physical assets are safeguarded.

### **Tests of Compliance with Comptroller's Directives #3, #6, #24, and PPB Rules**

During Fiscal Year 2007, CCHR issued a total of 130 PDs (Micro Purchase Documents) totaling \$123,890, 8 CTs (Contracts) totaling \$1,493,294, 6 PGs (Requirements Contract Release Orders) totaling \$7,797, 4 PCs (Small Purchase Documents) totaling \$51,781, and 1 PO (Purchase Order) for \$10.83. CCHR also issued 63 imprest fund vouchers totaling \$7,163 and 28 miscellaneous vouchers totaling \$8,823.

We examined three contracts totaling \$1,259,420 from the population of eight and their 31 corresponding vouchers issued by CCHR during Fiscal Year 2007. In addition, we examined 12 judgmentally selected purchase documents (10 micro purchase documents (PD), one small purchase document (PC), and one Requirements Contract Release Order (PG)) from the population of 141 and the 31 corresponding vouchers and 5 miscellaneous vouchers. Lastly, we examined five imprest fund vouchers.

We judgmentally selected 3 CTs, 10 PDs, 1 PC, and 1 PG with the highest dollar value. In addition, we selected five imprest fund vouchers and five miscellaneous vouchers with the highest dollar value. We examined each purchase document and voucher for the requisite approvals and authorizations; for evidence that the transactions were for proper business purposes; and for adequate documentation. We also determined whether the proper purchase document was used to initiate the purchase of goods or services. Each of the 72 vouchers was examined to ascertain whether: it was properly coded; an authorized purchase document was on file; sales and excise taxes, if applicable, were properly excluded from payments; and bids were obtained when required by PPB rules. For the five miscellaneous vouchers, we also determined whether the vouchers were issued for only allowable purposes.

For the five imprest fund vouchers selected, we examined the six canceled checks related to those vouchers for: two authorized signatures and amounts; a specific payee (as opposed to "bearer" or "cash"); an endorsement; and a "void after 90 days" inscription on each check. We also traced the canceled checks to the bank statements and determined whether appropriate bank reconciliations were performed for December 2006 and April 2007. Finally, we determined whether imprest fund expenditures were within the \$250 allowable amount specified in Comptroller's Directive #3.

The results of the above tests of 72 vouchers, while not projectable to all payment vouchers, provided a reasonable basis to assess CCHR's compliance with Comptroller's Directives #3, #6, and #24.

### **Tests of Inventory Records and Compliance with DOI Inventory Standards**

We selected 45 computer equipment items (i.e., CPUs, monitors, keyboards), 12 printers, 4 fax machines, 3 vehicles listed on CCHR's most current inventory records and determined whether they were present at the five service centers throughout the five boroughs. We also determined whether 30 other items of equipment, such as televisions, DVD players, and fax machines that we observed during the inventory walk-throughs conducted from February 28, 2008, through March 11, 2008, were listed on CCHR's inventory records. Those 30 items

included 5 each from the Brooklyn, Bronx, Queens, and Staten Island service centers and 10 from the Manhattan service center. In addition, we checked whether all items examined were properly tagged as property of CCHR. Finally, we ascertained whether the five items purchased by CCHR during our audit period were properly recorded on CCHR's inventory records.

The results of the above tests of 99 inventory items, while not projectable to all major equipment items, provided a reasonable basis to assess CCHR's controls over inventory as specified in the DOI *Standards for Inventory Control and Management*.

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 CCHR officials during and at the conclusion of this audit. A preliminary draft report was sent to CCHR and was discussed at an exit conference on May 19, 2008. On May 21, 2008, we submitted a draft report to CCHR officials with a request for comments. CCHR officials informed us verbally that the Commission agreed with the findings and recommendations and would not be sending a written response.



## **FINDINGS AND RECOMMENDATIONS**

The New York City Commission on Human Rights generally adhered to Comptroller's Directives #3, #6, and #24; applicable Procurement Policy Board rules; and the Department of Investigation *Standards for Inventory Control and Management*. In this regard:

- Vouchers and purchase documents were properly approved and authorized;
- The amounts paid to vendors were properly calculated and excluded sales tax;
- The imprest fund bank accounts were appropriately reconciled;
- All major equipment selected for inventory testing was found; and
- All major equipment purchased during Fiscal Year 2007 was accounted for.

However, there were minor instances in which CCHR did not comply with certain purchasing and inventory procedures. These instances of minor noncompliance, which did not detract from our opinion, are discussed in detail in the following sections of this report.

### **Purchases Lacked Bidding Documentation**

During Fiscal Year 2007, CCHR lacked bidding documentation for two contracts totaling \$23,604. These contracts were for monthly parking space rental for three City vehicles (\$11,404) and monthly janitorial services (\$12,200).

The documentation in the contract file for Central Parking System indicated that CCHR canvassed all parking garages in the area of 40 Rector Street, and this vendor was the only one willing to offer monthly space. Although CCHR claimed it canvassed other parking garages, it failed to document the names of the parking garages solicited. CCHR files indicated that "The Commission canvassed all garages in the area of 40 Rector Street. The only garage willing to offer monthly space was Central Parking System, MTA Battery Park location. Other garages (all smaller) indicated that they make more money from daily parking and were not willing to give up spaces." The agency did not have documentation in their file indicating the garages that were canvassed to support their sole source determination as required by PPB rules.

However, CCHR's claim that the vendor was a "sole source" was unfounded. We canvassed the area for parking garages, spoke to parking attendants, and found there were at least three other parking garages willing to offer monthly parking. Therefore, we do not agree with CCHR's claim that the chosen vendor was a "sole source" vendor. According to §3-08 of the PPB rules, CCHR should have solicited at least five vendors and documented the solicitation accordingly.

The other contract for janitorial services for the Brooklyn and Queens service centers also lacked documentation that other vendors had been solicited.

The PPB rules state that any purchase valued at more than \$5,000 is to be awarded to the lowest responsive and responsible bidder or to a vendor that presented the most beneficial offer. The PPB rules also require that the record of bids be maintained on file at the agency. Without the proper documentation, it would be impossible to evaluate City agency adherence to applicable laws and regulations and whether agencies choose the lowest responsible bidder.

### **Recommendations**

CCHR should ensure that:

1. Documentation of bidding is maintained on file, as required by PPB rule §3-08.
2. Justification for use of sole-source vendors is in accordance with the PPB rule §3-05.

### **Incorrect Object Codes**

CCHR charged the incorrect object code for 3 of the 67 purchase vouchers tested, totaling \$42,442, and 1 of the 5 miscellaneous vouchers tested, totaling \$1,369, during Fiscal Year 2007. For example, for payment of real estate taxes, the agency used object code 414, "Rentals, Land, Buildings and Structures"; however, the Chart of Accounts indicates a more specific object code and that all payments for real estate taxes should use object code 701, "Taxes and Licenses." CCHR also charged airline tickets to object code 451, "Local Travel Expenditures, General." However, a more appropriate code would be object code 454, "Non-Local Travel Expenditures, Special." Charges to this object code include expenditures for out-of-City conferences.

Using incorrect object codes does not allow agencies to accurately categorize the type and amount of a particular item expense during the fiscal year, which can compromise management's ability to plan future budgets.

### **Recommendation**

3. CCHR should ensure that all payments are charged to the correct object code.

### **Improper Imprest Fund Expenditures**

CCHR improperly spent \$386 from its imprest fund account for a retirement party for one of its employees. These expenditures included the purchase of two six-foot hero sandwiches, salads, beverages, and snacks. CCHR also purchased a plaque for the retiree. It is inappropriate to spend City funds for a City employee's retirement luncheon and an honorary plaque.

Comptroller's Directive #3, §6.0. states, "Under no circumstances may imprest funds be used for any improper expenditure including, but not limited to: Honorariums, personal service costs, consultant fees and temporary office services."

Comptroller's Directive #6, §14.4, states, "Agencies may not pay the cost of personal items such as pictures, brochures, certificates, medallions, awards and prizes unless purchased as part of an employee incentive and recognition award or for a function sponsored by the Mayor's Office of Special Events."

Comptroller's Directive #6, §14.6, states, "Costs incurred in connection with swearing-in ceremonies, testimonial dinners, funerals, retirement or farewell parties, fund-raising functions and other similar events are considered social functions which are inappropriate City expenditures. Generally, these items may not be charged to an agency, either directly or as reimbursement to an employee."

### **Recommendation**

4. CCHR should not use City funds for retirement luncheons.

### **Imprest Fund Purchase Exceeded the \$250 Limit**

CCHR issued an improper \$572 electronic fund transfer payment to United Parcel Service for delivery services through its imprest fund account. According to Comptroller's Directive #3, § 2.0, imprest fund purchases "must not exceed \$250." This payment exceeded the \$250 dollar limitation by \$322.

### **Recommendation**

5. CCHR should ensure that imprest fund purchases do not exceed \$250.

### **Incorrect Restrictive Endorsement On Imprest Fund Checks**

CCHR does not have its imprest fund checks imprinted with the restrictive endorsement statement, "void after 90 days." The checks are incorrectly imprinted with the restrictive endorsement "void after 6 months." 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 practice would assist CCHR in maintaining an accurate imprest fund balance when it reconciles its monthly bank statements.

### **Recommendation**

6. CCHR should ensure that imprest fund checks are imprinted with the restrictive endorsement statement "void after 90 days."

**Imprest Fund Invoices/Receipts**  
**Not Stamped “PAID \$ CHECK # DATE”**

CCHR did not hand stamp “PAID \$ CHECK # DATE” on the seven invoices and receipts attached to the imprest fund vouchers. Stamping this information on each invoice or receipt will help prevent duplicate payments.

Comptroller’s Directive #3 §5.4.9 states, “For purposes of providing an audit trail and preventing duplicate payments, all invoices, receipts or supporting documentation must be hand stamped as follows: PAID \$ CHECK # DATE.”

**Recommendation**

7. CCHR should ensure that all invoices and receipts are hand stamped with the information “PAID \$ CHECK # DATE” required by Directive #3.

**Inventory Control Weaknesses**

Our examination of a sample of 99 items—64 from CCHR’s inventory records, 30 observed at the time of the walk-throughs, and 5 purchased by CCHR during our audit period—found that:

- 21 items were not tagged as property of CCHR;
- 8 fax machines had no tag numbers listed on the inventory list;
- 3 items observed were not included on the inventory list; and
- 1 item had the incorrect serial number indicated on the inventory list.

Section 28 of the DOI *Standards for Inventory Control and Management* 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.” Section 28 also requires that: “Readable, sturdy property identification tags (reading ‘Property of the City of New York’) with a sequential internal control number are assigned and affixed to valuable items. An inventory log containing the internal control number assignments. . . is maintained.”

**Recommendations**

CCHR should ensure that:

8. Identification tags are affixed to all items.
9. Tag numbers are included for each item listed on the inventory list.
10. Complete and accurate records of all equipment are maintained.