

# AUDIT REPORT

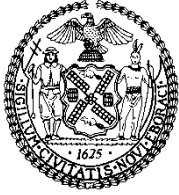


CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
BUREAU OF FINANCIAL AUDIT  
**WILLIAM C. THOMPSON, JR., COMPTROLLER**

## **Audit Report on the Financial and Operating Practices of The Richmond County District Attorney's Office**

*FP09-109A*

**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 Comptroller's responsibilities contained in Chapter 5, §93, of the New York City Charter, my office has audited the compliance of the Richmond County District Attorney's Office with certain City purchasing procedures.

The Richmond County District Attorney's Office consists of six bureaus: Administration, Appeals, Criminal Court, Investigations, Sex Crimes/Special Victims, and Supreme Court. Under the New York State Constitution, District Attorneys are constitutional officers elected every four years. Under New York State County Law, the City's five District Attorneys protect the public by investigating and prosecuting criminal conduct in their respective counties. 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 Richmond County District Attorney's Office officials, and their comments have been considered in the preparation of 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](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:** FP09-109A  
**Filed:** June 30, 2009

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

**Audit Report on the  
Financial and Operating Practices of the  
Richmond County District Attorney's Office**

**FP09-109A**

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**AUDIT REPORT IN BRIEF**

This audit determined whether the Richmond County District Attorney's Office (RCDA) is complying with certain purchasing procedures as set forth in the New York City Comptroller's Directives #1, "Financial Integrity Statement"; #6, "Travel, Meals, Lodging and Miscellaneous Agency Expenses"; #11, "Cash Accountability and Control"; #24, "Agency Purchasing Procedures and Controls"; applicable Procurement Policy Board (PPB) rules; and the Department of Investigation *Standards of Inventory Control and Management*.

**Audit Findings and Conclusions**

The Richmond County District Attorney's Office generally adhered to Comptroller's Directives #1, #6, and #24, applicable Procurement Policy Board rules, and the Department of Investigation *Standards for Inventory Control and Management*:

- All purchases reviewed were supported with appropriate invoices and properly coded,
- The amounts paid to vendors properly excluded sales tax,
- State contracts were used when available,
- All major equipment purchased during Fiscal Year 2008 was accounted for,
- Property identification tags with a sequential internal control number were assigned and affixed to items,
- Serial numbers and tag numbers corresponded to inventory records, and
- Inventory records were updated continuously on a computerized system.

However, there were minor instances in which RCDA did not comply with certain purchasing procedures. Specifically RCDA:

- Lacked bidding documentation for one small purchase totaling \$5,622.
- Did not reconcile the demand account on a monthly basis.
- Lacked approvals from the Bureau Chief and Administration Bureau Chief for 6 of 21 Expenditure Request forms reviewed, totaling \$82,026.

We recommend that the Richmond County District Attorney's Office should:

- Monitor expiration dates of all subscriptions and allow sufficient time to solicit bids.
- Solicit bids for purchases of more than \$5,000 and maintain bidding documentation, as required by PPB rule §3-08.
- Ensure that the demand bank account is reconciled to comply with the provisions of Comptroller's Directive #11.
- Adhere to its internal control procedures when processing expenditure requests.

## INTRODUCTION

### **Background**

The Richmond County District Attorney's Office consists of six bureaus: Administration, Appeals, Criminal Court, Investigations, Sex Crimes/Special Victims, and Supreme Court. Under the New York State Constitution, District Attorneys are constitutional officers elected every four years. Under New York State County Law, the City's five District Attorneys protect the public by investigating and prosecuting criminal conduct in their respective counties.

For Fiscal Year 2008, other than personal services (OTPS) expenditures amounted to \$932,195.

### **Objectives**

The objectives of this audit were to determine whether the Richmond County District Attorney's Office is complying with certain purchasing procedures as set forth in the New York City Comptroller's Directives #1, "Financial Integrity Statement"; #6, "Travel, Meals, Lodging and Miscellaneous Agency Expenses"; #11, "Cash Accountability and Control"; #24, "Agency Purchasing Procedures and Controls"; applicable Procurement Policy Board rules; and the Department of Investigation *Standards of Inventory Control and Management*.

### **Scope and Methodology**

We conducted this performance audit in accordance with generally accepted government auditing standards; however, our audit did not include a review of the "Special Expenditures" account as noted in the subsequent paragraph. 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.

RCDA states that it uses funds in its Special Expenditures account (these expenses are recorded under object code 460) to pay for confidential expenditures, such as protection of witnesses, paid informants, and surveillance operations. RCDA expended \$263,175 from this account in Fiscal Year 2008. We accepted the assertion of RCDA that our audit of "confidential" expenditures might jeopardize current or future investigations and related criminal justice activities. Accordingly during this audit, we did not review transactions posted to this account and therefore express no findings or conclusions related to these transactions.

This audit covered the period July 1, 2007, through June 30, 2008.

To obtain an understanding of the purchasing procedures and regulations with which RCDA is required to comply, we reviewed relevant provisions of: Comptroller's Directive #1,

“Financial Integrity Statement”; Directive #6, “Travel, Meals, Lodging and Miscellaneous Agency Expenses”; Directive #11, “Cash Accountability and Control”; Directive #24, “Agency Purchasing Procedures and Controls”; applicable Procurement Policy Board rules; and the Department of Investigation *Standards for Inventory Control and Management*. We interviewed staff at RCDA to obtain an understanding of the purchasing procedures, and to determine how physical assets are safeguarded.

### **Tests of Compliance with Comptroller’s Directives #6, #11, #24, and PPB Rules**

During Fiscal Year 2008, RCDA issued a total of 116 PDs (Micro Purchase Documents) totaling \$163,767, 6 CTs (Contracts) totaling \$116,805, 7 PCs (Small Purchase Documents) totaling \$55,092, and one PO (Purchase Order) for \$3,294. RCDA also issued 495 miscellaneous vouchers totaling \$203,226. We excluded amounts from object code 460 “Special Expenditures.”

We examined 3 judgmentally selected contracts issued by RCDA totaling \$77,242 from the population of 6 and their 18 corresponding vouchers. In addition, we examined 13 randomly selected purchase documents (12 PDs and one PC) from the population of 123 and the 35 corresponding vouchers and 50 miscellaneous vouchers.

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 103 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 50 miscellaneous vouchers, we also determined whether the vouchers were issued for only allowable purposes.

The results of the above tests of 103 vouchers, while not projectable to all payment vouchers, provided a reasonable basis to assess RCDA’s compliance with Comptroller’s Directives #6 and #24.

We determined whether RCDA performed bank reconciliations for the demand account<sup>1</sup> for the period January 2008 through June 2008 in accordance with Directive #11 by reviewing the bank statements, canceled checks, and check register.

### **Tests of Major Equipment Items Purchased During Fiscal Year 2008**

We selected all 30 major equipment items (including computers, a laptop, fax machines, televisions, microwaves and refrigerators) purchased during our audit period to determine whether these items were listed on RCDA’s inventory records and were present at RCDA’s office.

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<sup>1</sup> RCDA does not maintain an imprest fund for small expenditures, but uses a demand account instead.

During the inventory walk-through, we checked whether all items examined were properly tagged as property of RCDA. In addition, we determined whether the tag and serial numbers affixed to each item matched the tag and serial numbers listed on the inventory records.

The results of the above tests of 30 inventory items, while not projectable to all major equipment items, provided a reasonable basis to assess RCDA's controls over inventory as specified in the Department of Investigation *Standards for Inventory Control and Management*.

### **Discussion of Audit Results**

The matters covered in this report were discussed with RCDA officials during and at the conclusion of this audit. A preliminary draft report was sent to RCDA officials and discussed at an exit conference held on June 4, 2009. On June 5, 2009, we submitted a draft report to RCDA officials with a request for comments. We received a written response from RCDA officials on June 19, 2009. In their response, RCDA officials described the steps they have taken or will take to implement the report's recommendations. The full text of the RCDA response is included as an addendum to this report.



## **FINDINGS AND RECOMMENDATIONS**

The Richmond County District Attorney's Office generally adhered to Comptroller's Directives #1, #6, and #24, applicable Procurement Policy Board rules, and the Department of Investigation *Standards for Inventory Control and Management*:

- All purchases reviewed were supported with appropriate invoices and properly coded,
- The amounts paid to vendors properly excluded sales tax,
- State contracts were used when available,
- All major equipment purchased during Fiscal Year 2008 was accounted for,
- Property identification tags with a sequential internal control number were assigned and affixed to items,
- Serial numbers and tag numbers corresponded to inventory records, and
- Inventory records were updated continuously on a computerized system.

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

### **Purchase Lacked Bidding Documentation**

RCDA lacked bidding documentation for one small purchase totaling \$5,622. This purchase was for a three-year Web-filter subscription. According to RCDA officials, the previous Web-filter subscription expired, and RCDA did not have ample time to perform adequate research and bidding for a new subscription.

RCDA was aware of the subscription expiration date, however, and had it planned properly, it would have had sufficient time to perform research and solicit bids.

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. PPB rules also require that the record of bids be maintained on file at the agency. Without such 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**

RCDA should:

1. Monitor expiration dates of all subscriptions and allow sufficient time to solicit bids.
2. Solicit bids for purchases of more than \$5,000 and maintain bidding documentation, as required by PPB rule §3-08.

**RCDA Response:** “RCDA agrees with this finding, however, it should be noted that the purchase executed resulted in a cost savings of over \$1,400 per year and a total savings in excess of \$4,200. RCDA currently follows all rules and regulations set forth by the Procurement Policy Board (PPB). Furthermore, this office will monitor the expiration dates of all subscriptions in order to allow sufficient lead time to solicit bids.”

## **Poor Controls over Demand Account**

RCDA did not reconcile the demand account on a monthly basis, as required by Comptroller’s Directive #11. We reviewed six months of the demand account bank statements, canceled checks, and check register. We determined that RCDA did not perform bank reconciliations and that the check register was incomplete.

To determine the correct balance in the demand account, we performed bank reconciliations for a six-month period (January 1, 2008, through June 30, 2008) and found that the account was understated by \$147. The average balance in this account during the six months under review was \$1,166. RCDA officials stated that they do not perform bank reconciliations. RCDA officials added that there is minimal activity for this account, and it is primarily used for travel and conference reimbursements and small item purchases.

Directive #11, §6.1, states, “Reconciliations must be made monthly by persons other than those who authorize disbursements, sign checks.” §6.3, states, “Checks outstanding more than six months should be canceled and stop payment orders issued.”

By not performing bank reconciliations, RCDA is unaware of the demand account book balance, which could result in additional bank fees if the account is overdrawn.

## **Recommendation**

3. RCDA should ensure that the demand bank account is reconciled to comply with the provisions of Comptroller’s Directive #11.

**RCDA Response:** “The RCDA Demand Account has since been reconciled to comply with the provisions of Comptroller’s Directive #11. In addition to the Director of Procurement, the Chief Fiscal Officer is fully aware of the policy and both unit heads will continue to reconcile this account on a monthly basis.”

## Other Issue

### Expenditure Request Forms Lacking Approvals

We found that 6 of 21 Expenditure Request forms reviewed, totaling \$82,026, lacked approvals from the Bureau Chief and Administration Bureau Chief. Before purchasing items, RCDA internal control procedures require an employee to complete an Expenditure Request form. This internal document also requires the approval of the Bureau Chief and Administration Bureau Chief prior to purchasing.

Some of the items purchased without expenditure request approvals included paper, beeper service, automobile lease, and phone services. RCDA procurement guidelines state, “All requests for an office-related expense must be submitted utilizing an *Expenditure Request Form*.”

#### **Recommendation**

4. RCDA should adhere to its internal control procedures when processing expenditure requests.

**RCDA Response:** “The basis of this audit was to determine if RCDA was in compliance with purchasing procedures set forth in the NYC Comptroller’s Office Directives #1, #6, #11 and #24, as well as all applicable PPB rules and the Department of Investigation Standards of Inventory Control and Management as noted on page 1 of the audit report and restated on page 3. The *Expenditure Request* form approval procedure used by my office is an internal control mechanism established by this office. RCDA follows this procedure **in addition** to adhering to the procedures set forth in Directive #1. Specific *Internal Controls* are not mandated or outlined in Directive #1, but rather *Principles of Internal Controls* are suggested.

The audit report noted that six (6) out of twenty one (21) of our internal *Expenditure Request* forms lacked approvals from the Bureau Chief and the Administration Bureau Chief. Directive #1 states that internal control is ‘designed to achieve effective, efficient operations that result in reliable financial reporting.’ The six (6) *Expenditure Request* forms referenced were related to office-wide services, such as the purchases of paper and the acquisition of office telephone service. In these six instances, the *Expenditure Request* forms were therefore used for **FMS coding purposes only**.

As confirmed by your audit staff, the six related purchases documents did comply with all directive requirements. RCDA challenges this finding since the audit staff stated that the forms were not a requirement of the resulting purchases, yet ironically labeled the six forms as instances of minor non-compliance. In addition, your audit staff also commended my office for establishing the *Expenditure Request* form approval process as an additional and efficient control mechanism.

We therefore feel that a technical omission on six in-house forms, which were not mandated by any procurement procedure, does not warrant a reasonable finding in the audit report. The criticism associated with the six forms that are referenced will create an unfair negative interpretation by any reader of this report. RCDA did in fact comply with all directive regulations in these six examples and in most other instances, exceeded directive regulations.”

***Auditor Comment:*** As part of our audit, we are not only mandated to test the requirements of the Comptroller’s Directives, but are also responsible to test any internal control procedures that the agency implements. Further, we disagree with RCDA’s contention that the Expenditure Request forms did not have to be approved and signed by the applicable Bureau Chief and Administrative Bureau Chief. The subject Expenditure Request form clearly indicates the requirements for that form. Instructions posted at the top of the form clearly spell out the necessary steps to be followed: “1. Complete upper section; 2. Get Bureau Chief approval; 3. Bring to Chief Fiscal Officer.” (See attached copy of the form in Appendix I.)

We reviewed 21 sampled forms and found no approval signatures on six of them. This was totally contrary to the clear approval and signature requirements as listed in Step #2 of the form. The agency contends that this form was used only for “coding purposes.” However, we saw no notation stating this contention on this form or anywhere else in their purchasing records. As a result, we continue to maintain and confirm our position that the agency did not comply with RCDA procedural requirements.



OFFICE OF THE DISTRICT ATTORNEY  
RICHMOND COUNTY

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DANIEL M. DONOVAN, JR.  
DISTRICT ATTORNEY

130 STUYVESANT PLACE  
STATEN ISLAND, NEW YORK 10301  
TELEPHONE (718) 876-6300

June 19, 2009

Mr. John Graham  
Deputy Comptroller  
Audits, Accountancy and Contracts  
NYC Office of the Comptroller  
1 Centre Street, Room 530  
New York, New York 10007

**Re: Audit Report on the Financial and Operating  
Practices of the Richmond County District  
Attorney's Office FP09-109A**

Dear Mr. Graham:

I am writing to respond to the recommendations set forth in your draft audit report of the Financial and Operating Practices of the Richmond County District Attorney's (RCDA) Office.

The first finding cited one small purchase that lacked bidding documentation. RCDA agrees with this finding, however, it should be noted that the purchase executed resulted in a cost savings of over \$1,400 per year and a total savings in excess of \$4,200. RCDA currently follows all rules and regulations set forth by the Procurement Policy Board (PPB). Furthermore, this office will monitor the expiration dates of all subscriptions in order to allow sufficient lead time to solicit bids.

The audit report then cited poor controls over the RCDA Demand Account. We agree with this finding regarding account reconciliation, however, we do not agree with the finding that the check register was incomplete. This account understatement of \$147 was inherited from the previous administration. All account activity since 2004 was and is accounted for. The RCDA Demand Account has since been reconciled to comply with the provisions of Comptroller's Directive #11. In addition to the Director of Procurement, the Chief Fiscal Officer is fully aware of the policy and both unit heads will continue to reconcile this account on a monthly basis.

With respect to the next finding, *Expenditure Request Forms Lacking Approvals*, the basis of this audit was

John Graham  
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to determine if RCDA was in compliance with purchasing procedures set forth in the NYC Comptroller's Office Directives #1, #6, #11 and #24, as well as all applicable PPB rules and the Department of Investigation Standards of Inventory Control and Management as noted on page 1 of the audit report and restated on page 3. The *Expenditure Request* form approval procedure used by my office is an internal control mechanism established by this office. RCDA follows this procedure **in addition** to adhering to the procedures set forth in Directive #1. Specific *Internal Controls* are not mandated or outlined in Directive #1, but rather *Principles of Internal Controls* are suggested.

The audit report noted that six (6) out of twenty one (21) of our internal *Expenditure Request* forms lacked approvals from the Bureau Chief and the Administration Bureau Chief. Directive #1 states that internal control is "designed to achieve effective, efficient operations that result in reliable financial reporting." The six (6) *Expenditure Request* forms referenced were related to office-wide services, such as the purchases of paper and the acquisition of office telephone service. In these six instances, the *Expenditure Request* forms were therefore used for **FMS coding purposes only**.

As confirmed by your audit staff, the six related purchase documents did comply with all directive requirements. RCDA challenges this finding since the audit staff stated that the forms were not a requirement of the resulting purchases, yet ironically labeled the six forms as instances of minor non-compliance. In addition, your audit staff also commended my office for establishing the *Expenditure Request* form approval process as an additional and efficient control mechanism.

We therefore feel that a technical omission on six in-house forms, which were not mandated by any procurement procedure, does not warrant a reasonable finding in the audit report. The criticism associated with the six forms that are referenced will create an unfair negative interpretation by any reader of this report. RCDA did in fact comply with all directive regulations in these six examples and in most other instances, exceeded directive regulations.

Should you or your staff have any additional questions or comments, please do not hesitate to contact Ronald Carara, Chief of Administration, at (718) 556-7070.

Sincerely,



Daniel M. Donovan, Jr.  
District Attorney

DMD:flm

c. Ronald Carara