



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
Transactions from the Topographical
Bureau

FP18-106A

June 18, 2018

<http://comptroller.nyc.gov>



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
SCOTT M. STRINGER

June 18, 2018

To the Residents of the City of New York:

My office has audited the New York City Manhattan Borough President's Office (MBPO) to determine whether they complied with cash control procedures as set forth in Comptroller's Directive #11, *Cash Accountability and Control*. We audit City agencies such as the MBPO as a means of ensuring they operate in accordance with applicable City rules and are accountable for resources and revenues in their charge.

The MBPO has a Topographical Bureau that charges fees, ranging from \$250 to \$18,000, for services such as the preparation and review of alteration maps, address assignments, address verifications and vanity addresses. The MBPO collected \$185,900 in revenue during Fiscal Year 2017.

The audit found that the MBPO complied with certain cash control procedures set forth in Comptroller's Directive #11 in that it adequately segregated cash handling duties, issued sequentially number receipts to customers, deposited fees in the City's Treasury account and secured fees awaiting deposits in a safe overnight. Additionally, as recommended by Comptroller's Directive #11, the MBPO accepts only checks and money orders as payment. However, the MBPO did not deposit fees on a daily basis and did not secure fees collected throughout the day in a safe as required by Comptroller's Directive #11. These control weaknesses increased the risk that the fees collected by the MBPO could be misappropriated or lost.

The audit made two recommendations to the MBPO: that the MBPO should: supervise its staff to ensure that they deposit fees on a daily basis in accordance with Comptroller's Directive #11 and internal policies and procedures; and that it supervise its staff to ensure fees collected throughout the day are stored in a safe in accordance with Comptroller's Directive #11.

The results of the audit have been discussed with MBPO officials and their comments have been considered in preparing this report. The MBPO's complete written response to the audit 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,

A handwritten signature in blue ink, appearing to read "Scott M. Stringer".

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 Transactions from the Topographical Bureau

FP18-106A

EXECUTIVE SUMMARY

The Borough Presidents are the executive officials of each of New York City's five boroughs and are elected to terms of four years. The City Charter grants each Borough President the power to maintain a topographical bureau, recommend capital projects, establish and maintain a budget office, consult with the Mayor on the executive expense budget and the executive capital budget, and submit proposed appropriation and other budget recommendations to the Mayor and the City Council.

The Manhattan Borough President's Office's (MBPO's) Topographical Bureau is responsible for maintaining the Manhattan Borough Map and furnishing copies of the map and related data to City agencies and the general public. The Topographical Bureau charges fees, ranging from \$250 to \$18,000, for services such as the preparation and review of alteration maps, address assignments, address verifications, and vanity addresses. In the Fiscal Year 2017 Comprehensive Annual Financial Report (CAFR) of the Comptroller, the MBPO reported minor sales of \$185,900.¹

The audit determined whether the MBPO is complying with cash control procedures as set forth in the Comptroller's Directive #11, *Cash Accountability and Control*.

Audit Findings and Conclusions

Our audit found that the MBPO complied with certain cash control procedures set forth in Comptroller's Directive #11 in that it adequately segregated cash handling duties, issued sequentially numbered receipts to customers, deposited fees in the City's Treasury account, and secured fees awaiting deposit in a safe overnight. Additionally, as recommended by Comptroller's Directive #11, the MBPO accepts only checks and money orders as payment. However, the MBPO did not deposit fees on a daily basis and did not secure fees collected throughout the day in a safe as required by Comptroller's Directive #11. These control weaknesses increased the risk that the fees collected by the MBPO could be misappropriated or lost.

¹ The fees collected by the MBPO Topographical Bureau are reported as "minor sales" in the Comptroller's 2017 CAFR.

Audit Recommendations

To address these issues, we recommend that the MBPO:

- Supervise its staff to ensure that they deposit fees on a daily basis in accordance with Comptroller's Directive #11 and internal policies and procedures.
- Supervise its staff to ensure fees collected throughout the day are stored in a safe in accordance with Comptroller's Directive #11.

Agency Response

In its response, the MBPO generally agreed with the audit's two recommendations and stated that

[o]ur office is committed to full compliance with the Comptroller's Directive 11 and wants to take every step to do so. . . . Again, as you know, our agency has a relatively small staff, and many of us perform multiple tasks. We are committed to making every effort to deposit payments daily. However, this may not always be possible. And in that event we will make sure that all delays in deposits are no more than a day or two, and that all undeposited funds are secured properly.

With regard to daily deposits, Comptroller's Directive #11 states that the "[a]ccumulation of in-office cash receipts is not acceptable and all funds received must be deposited in the bank on at least a daily basis, except under extraordinary circumstances." As noted in the report, the MBPO has the ability to remotely deposit checks from its office, and that is the method by which it routinely deposits them, which should minimize the staff time needed to comply with the one-day deposit rule. Therefore, we continue to recommend that the MBPO supervise its staff to ensure that they deposit fees on a daily basis.

AUDIT REPORT

Background

The Borough Presidents are the executive officials of each of New York City's five boroughs and are elected to terms of four years. The City Charter grants each Borough President the power to maintain a topographical bureau, recommend capital projects, establish and maintain a budget office, consult with the Mayor on the executive expense budget and the executive capital budget, and submit proposed appropriations and other budget recommendations to the Mayor and the City Council.

The MBPO's Topographical Bureau is responsible for maintaining the Manhattan Borough Map and furnishing copies of the map and related data to City agencies and the general public. The Topographical Bureau charges fees, ranging from \$250 to \$18,000, for services such as the preparation and review of alteration maps, address assignments, address verifications, and vanity addresses. The Topographical Bureau accepts certified checks and money orders as payment for these services. The Topographical Bureau Manager is responsible for collecting the fees. At the end of each day that fees are received, the manager forwards fees collected to the MBPO's Land Use Liaison (a member of the Topographical Bureau) who is responsible for depositing fees in the bank.

In the Fiscal Year 2017 CAFR of the Comptroller, the MBPO reported minor sales of \$185,900.

Objective

The objective of this audit was to determine whether the MBPO is complying with cash control procedures as set forth in the 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 period of July 1, 2016 through June 30, 2017. 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 22, 2018. On May 25, 2018, we submitted a draft report to MBPO officials with a request for comments. We received a written response from MBPO officials on

June 11, 2018. In their response, MBPO officials generally agreed with the audit's two recommendations and stated

[o]ur office of course is committed to full compliance with the Comptroller's Directive 11 and wants to take every step to do so. . . . Again, as you know, our agency has a relatively small staff, and many of us perform multiple tasks. We are committed to making every effort to deposit payments daily. However, this may not always be possible. And in that event we will make sure that all delays in deposits are no more than a day or two, and that all undeposited funds are secured properly.

With regard to daily deposits, Comptroller's Directive #11 states that the "[a]ccumulation of in-office cash receipts is not acceptable and all funds received must be deposited in the bank on at least a daily basis, except under extraordinary circumstances." As noted in the report, the MBPO has the ability to remotely deposit checks from its office, and that is the method by which it routinely deposits them, which should minimize the staff time needed to comply with the one-day deposit rule. Therefore, we continue to recommend that the MBPO supervise its staff to ensure that they deposit fees on a daily basis.

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

FINDINGS AND RECOMMENDATIONS

The MBPO complied with certain cash control procedures set forth in Comptroller's Directive #11 in that it adequately segregated cash handling duties, issued sequentially numbered receipts to customers, deposited fees in the City's Treasury account, and secured fees awaiting deposit in a safe overnight. Additionally, as recommended by Comptroller's Directive #11, the MBPO accepts only checks and money orders as payment. However, the MBPO did not deposit fees on a daily basis and did not secure fees collected throughout the day in a safe as required by Comptroller's Directive #11. These control weaknesses increased the risk that the fees collected by the MBPO could be misappropriated or lost.

These findings are discussed in the following sections of this report.

The MBPO Did Not Deposit Fees on a Daily Basis

Comptroller's Directive #11 states that the "[a]ccumulation of in-office cash receipts is not acceptable and all funds received must be deposited in the bank on at least a daily basis, except under extraordinary circumstances." The term "cash receipts" includes checks, money orders, and other cash equivalents for purposes of the directive. However, our audit found that the MBPO held 68 of 223 sampled deposits totaling \$30,600 from 2 to 16 business days before depositing the funds in the bank.

The MBPO was previously cited for not depositing fees on a daily basis in two prior City Comptroller audits issued in 2011² and 2015.³ The 2015 audit recommended that the MBPO "[e]nsure that funds collected are deposited daily in the bank." In its response to the 2015 audit, the MBPO stated that it had drafted and planned to circulate procedures for handling monies received. It further stated that "[w]e 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." The MBPO also stated in its response that

[t]he 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 The goal is to ensure that whenever possible, payments are recorded and electronically deposited the day they are received.

In its Audit Implementation Plan⁴ letter dated November 4, 2015, the MBPO stated that

First, our office implemented the protocols detailed in the May 25, 2015 memorandum Second, and, most importantly, we now use a new bank account and banking system which was set up with Wells Fargo Bank. We received a dedicated device for the scanning and electronic deposit of checks. All personnel involved were trained on the use of the device. The system of electronic

² On November 2, 2011, the New York City Comptroller issued the *Audit Report on the Manhattan Borough President's Office's Cash Controls over Minor Sales* (Audit #FM12-054A).

³ On June 2, 2015, the New York City Comptroller issued the *Audit Report on the Manhattan Borough President's Office's Cash Controls over Receipts from Minor Sales* (Audit #FM15-075A).

⁴ An Audit Implementation Plan is a progress report sent from auditees to the New York City Comptroller's Office in response to a request for a written implementation status of prior audit findings and recommendations.

check deposits greatly increases the frequency of making deposits, and reduces the amount of time that checks need to be held for deposit.

With these procedures, the Manhattan Borough President's Office is, I believe, in full compliance with the recommendations in the Comptroller's June 2, 2015 Audit, and with Directive #11.

However, as evidenced by our current findings, the MBPO did not ensure that staff complied with its policies and procedures and that fees were deposited on a daily basis. On April 26, 2018, in response to our office's request for an explanation of the significant time lapse between the receipt of the fees and the deposit date, the MBPO stated that the staff charged with carrying out the procedures need additional training and supervision. Further, on May 3, 2018, when we again presented our findings to the MBPO, the MBPO stated that it will make changes to its procedures and staff responsibilities for the receipt and deposit of fees.

By holding onto fees and not depositing them on a daily basis, the MBPO incurs the risk that they could be lost or stolen, resulting in loss of revenue for the City.

Recommendation

The MBPO should:

1. Supervise its staff to ensure that they deposit fees on a daily basis in accordance with Comptroller's Directive #11 and internal policies and procedures.

MBPO Response: "Payments will now be accepted by a designated member of the Operations staff, who will issue appropriate receipts and deliver the money orders/certified checks for deposit to the Land Use support personnel for immediate deposit. . . . the Land Use support staff, who is responsible for making deposits, will update an existing Excel document upon making deposits, and will send the updated information to the Chief of Staff, Deputy Land Use Director and Deputy General Counsel no less than once a week. This provision will, we believe, enable closer monitoring of deposits. Again, as you know, our agency has a relatively small staff, and many of us perform multiple tasks. We are committed to making every effort to deposit payments daily. However, this may not always be possible. And in that event we will make sure that all delays in deposits are no more than a day or two, and that all undeposited funds are secured properly."

Auditor Comment. Comptroller's Directive #11 states that the "[a]ccumulation of in-office cash receipts is not acceptable and all funds received must be deposited in the bank on at least a daily basis, except under extraordinary circumstances." Further, the MBPO has the ability to remotely deposit checks from its office and in fact does so, which should minimize the staff time required to comply with the rule. Therefore, we continue to recommend that the MBPO supervise its staff to ensure that they deposit fees on a daily basis.

The MBPO Did Not Adequately Secure Fees

Comptroller's Directive #11, § 4.5, states that "[c]ash 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." The MBPO stored fees overnight

in a safe. However, the MBPO did not store fees received throughout the day in a safe. We observed that the Topographical Bureau Manager, who is responsible for collecting fees, stored fees in an envelope under his keyboard throughout the day. Further, we observed that there were times that the Topographical Bureau Manager left the envelope unattended, such as when he left the room to make copies.

The MBPO was previously cited for not storing fees in a safe overnight in two prior City Comptroller's audits issued in 2011 and 2015. The 2015 audit also found that the Topographical Bureau Manager stored fees in an envelope under his keyboard overnight and recommended that the MBPO "[p]lace receipts awaiting deposit in the office's safe." In its response to the 2015 audit, the MBPO stated that "if deposits cannot be immediate, all money received will be secured in the office safe." However, as evidenced by our current findings, the MBPO did not ensure that fees collected throughout the day were stored in a safe. Consequently, the MBPO incurs the risk that fees could be lost or stolen, resulting in loss of revenue for the City.

Recommendation

The MBPO should:

2. Supervise its staff to ensure that fees collected throughout the day are stored in a safe in accordance with Comptroller's Directive #11.

MBPO Response: "Payments will now be accepted by a designated member of the Operations staff, who will issue appropriate receipts and deliver the money orders/certified checks for deposit to the Land Use support personnel for immediate deposit. In the event that checks cannot be immediately deposited, they will, as before, be left in the Operations safe."

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 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 period of July 1, 2016 through June 30, 2017.

To obtain an understanding of the MBPO's cash control procedures, we reviewed the MBPO's internal policies, procedures, and reports, as well as Comptroller's Directive #11. To gain an understanding of the MBPO's jurisdiction and responsibilities, we reviewed Chapter 4 of the New York City Charter, Chapter 3 of the Rules of the City of New York, and Title 3, Chapter 5, of the New York City Administrative Code.

To gain an understanding of the MBPO's cash control procedures, we conducted walkthrough meetings with the Deputy General Counsel, the Topographical Unit Manager, the Land Use Liaison, a Civil Engineer, and the Purchasing Manager. To gain an understanding of the process of depositing fees into the MBPO's bank account, we conducted a walkthrough with the Land Use Liaison who discussed how revenues received are deposited into the MBPO's bank account using Citibank's Information Technology Service Management (ITSM) system. To gain an understanding of how transactions are recorded into the City's Financial Management System (FMS) and how reconciliations of the deposits to the bank statement are completed, we conducted a walkthrough of the recording and monthly reconciliation process with the MBPO Purchasing Manager. In addition, we conducted observations of the MBPO sales receipt process for fees collected by the Topographical Bureau. We observed that the checks received were made payable to the MBPO and were rubber stamp-endorsed.

We reconciled the \$185,900 of fees collected reported in FMS to the \$185,900 in fees reported as collected by the MBPO for Fiscal Year 2017. To do so, we independently obtained the FMS Schedule of Receivables and Cash Receipts Revenue and the Citywide Payment Receivable System Reports prepared by the MBPO, along with supporting documents. We then compared the amounts reported in FMS with the amounts deposited as reflected on each deposit slip. Further, to test the accuracy of the amounts deposited, we compared the total revenue as recorded per the deposit slips to the total revenue found in the Comptroller's CAFR for Fiscal Year 2017.

To determine whether the processing of the receipts was in accordance with Comptroller's Directive #11, we randomly selected six of the twelve months of Fiscal Year 2017 for detailed testing, including the months of September and November of 2016, and January, February, March, and May of 2017. Once selected, we requested supporting documentation for each transaction, which included 223 receipts totaling \$108,300. We also examined all of the corresponding receipts to determine if they were pre-printed and in sequential order. In addition, to determine if amounts agreed with the amounts deposited into the corresponding bank account, we traced the amounts found on the sales receipts to the daily cash deposit slips and the daily tally sheets. Further, we compared the date on the receipts to the deposit slips to determine if all collections were deposited on the same day into the Treasury Collection Account as required by Comptroller's Directive #11. We examined all funds received to ensure that all checks and money

orders were made payable to the order of the City of New York or the MBPO. Finally, we verified if the deposits were entered into FMS.

The results of the above tests, while not projectable to their respective population, provided sufficient and appropriate evidence to support our findings and conclusion.



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Gale A. Brewer, Borough President

June 11, 2018

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
Over Transactions From The Topographical Bureau – FM18-106A

Dear Ms. Landa,

Thank you for providing us with a draft of your report on your audit of our cash controls regarding Topographical Bureau Transactions.

Our office, including the Land Use Unit (of which the Topographical Unit is a part), the General Counsel's office, the Director of Operations and the General Counsel appreciate your assessment and recommendations, and have considered remedies.

Our office of course is committed to full compliance with the Comptroller's Directive 11 and wants to take every step to do so. Your two recommendations both relate to more careful supervision of staff, and we have in fact determined that some changes in responsibilities and tasks among personnel are in order. To that end we have removed responsibility for accepting payments from the Topographical Unit staff completely. Payments will now be accepted by a designated member of the Operations staff, who will issue appropriate receipts and deliver the money orders/certified checks for deposit to the Land Use support personnel for immediate deposit. In the event that checks cannot be immediately deposited, they will, as before, be left in the Operations safe.

In addition, the Land Use support staff, who is responsible for making deposits, will update an existing Excel document upon making deposits, and will send the updated information to the Chief of Staff, Deputy Land Use Director and Deputy General Counsel no less than once a week. This provision will, we believe, enable closer monitoring of deposits.

Landa, NYC Comptroller
June 11, 2018
Page two of two

Again, as you know, our agency has a relatively small staff, and many of us perform multiple tasks. We are committed to making every effort to deposit payments daily. However, this may not always be possible. And in that event we will make sure that all delays in deposits are no more than a day or two, and that all undeposited funds are secured properly.

Thank you for your efforts in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Adele Bartlett', written in a cursive style.

Adele Bartlett,
Deputy General Counsel

Enc.

cc.: J. Mates
J. Caras