



City of New York

OFFICE OF THE COMPTROLLER

Scott M. Stringer
COMPTROLLER



FINANCIAL AUDIT

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Deputy Comptroller for Audit

Follow-up Audit Report on the Business
Integrity Commission's Billing and
Collection of Licensing and Registration
Fees

FP18-141F

May 17, 2019

<http://comptroller.nyc.gov>



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

May 17, 2019

To the Residents of the City of New York:

My office has conducted a follow-up audit of the Business Integrity Commission (BIC) to determine whether BIC implemented the nine recommendations made in our prior audit report entitled *Audit Report of the Business Integrity Commission's Billing and Collection of Licensing and Registration Fees* (Audit No. FK16-090A), issued by this office on June 28, 2016. We perform audits such as this to ensure that City agencies are complying with applicable laws and regulations and appropriately handle City funds.

The audit found that of the nine prior audit recommendations, BIC implemented three recommendations, partially implemented three recommendations, and did not implement three recommendations. Specifically, our audit found that BIC did not electronically scan and deposit all funds received in the bank on at least a daily basis as required by Comptroller's Directive #1, did not accurately represent its internal control structure for cash receipts in its Directive #1 Checklist, did not properly secure cash receipts by placing a restrictive endorsement on checks and money orders as soon as they were received, and did not always secure cash receipts awaiting deposit in a locked safe. In addition, we found that BIC did not compare the list of checks and money orders that are received each day to those deposited. Finally, we found that BIC did not issue pre-numbered receipts to payers in numerical sequence, account for all receipts, and compare them to cash receipts reports on a daily basis.

To address these issues, the audit recommended that BIC should: electronically scan and deposit all funds received in the bank on a daily basis; accurately represent BIC's internal control structure in its Directive #1 Checklist; place restrictive endorsements on incoming checks and money orders as soon as they are received; secure checks and money orders awaiting deposit in a locked safe which has a combination that is changed periodically and known to few individuals; compare the list of checks and money orders that are received each day to those that are deposited; and issue pre-numbered receipts to payers in numerical sequence, account for all receipts, and compare them to cash receipts reports on a daily basis.

The results of our follow-up audit have been discussed with BIC officials and their comments have been considered in preparing this report. BIC'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

Follow-up Audit Report on the Business Integrity Commission's Billing and Collection of Licensing and Registration Fees

FP18-141F

EXECUTIVE SUMMARY

The Business Integrity Commission (BIC), established pursuant to Chapter 63 of the New York City Charter, is responsible for regulating the trade waste industry and public wholesale markets in New York City. BIC's mission is to eliminate organized crime and other forms of corruption and criminality from these industries so that businesses can operate in a safe, fair, competitive, and open environment. In furtherance of its mission, BIC has both regulatory and law enforcement authority. Among other things, BIC licenses or registers businesses that seek to conduct a waste removal business and registers wholesalers who seek to sell their goods in public wholesale markets. Upon approval, BIC will issue the applicant business a license or registration to operate, which must be renewed every two or three years. The Rules and Regulations of the City of New York establish license and registration application fees, which range from \$1,000 to \$7,500. Application fees may be paid by check, money order, or credit card and are due upon submission of an application either in-person or by mail.

A prior audit of BIC, *Audit Report of the Business Integrity Commission's Billing and Collection of Licensing and Registration Fees* (Audit No. FK16-090A), issued by this office on June 28, 2016, (the 2016 Audit) found that "BIC generally charged and collected appropriate application fees for trade waste and public wholesale market licenses and registrations. However, BIC did not adequately safeguard application fees that it received because it did not deposit cash receipts in a timely manner, properly secure cash receipts pending deposit, and separate the duties for receiving cash receipts and accounting for them in NIMBUS." Based on these findings, the 2016 Audit made nine recommendations. In its response to the 2016 Audit, BIC agreed with six recommendations and disagreed with three recommendations.

Audit Findings and Conclusions

Of the nine prior audit recommendations, we determined that BIC has implemented three recommendations, partially implemented three recommendations, and did not implement three recommendations.

Audit Recommendations

To address the issues identified in this audit, we make the following six recommendations to BIC, all of which were made as a result of the prior audit findings but never fully implemented.

BIC should:

- Electronically scan and deposit all funds received in the bank on a daily basis.
- Accurately represent BIC's internal control structure in its Directive #1 Checklist.
- Place restrictive endorsements on incoming checks and money orders as soon as they are received.
- Secure checks and money orders awaiting deposit in a locked safe which has a combination that is changed periodically and known to few individuals.
- Compare the list of checks and money orders that are received each day to those that are deposited.
- Issue pre-numbered receipts to payers in numerical sequence, account for all receipts, and compare them to cash receipts reports on a daily basis.

Agency Response

In its response, BIC agreed with four of the six recommendations and disagreed with two recommendations. In addition, BIC stated that its response to the follow-up audit's recommendations reflects the agency's recognition of the importance of internal controls "by outlining additional improvements to be implemented, while maintaining operational efficiency and the ability to effectively achieve the agency's mission."

AUDIT REPORT

Background

BIC, established pursuant to Chapter 63 of the New York City Charter, is responsible for regulating the trade waste industry and public wholesale markets in New York City. BIC's mission is to eliminate organized crime and other forms of corruption and criminality from these industries so that businesses can operate in a safe, fair, competitive, and open environment. In furtherance of this mission, BIC has both regulatory and law enforcement authority. BIC consists of a Chairperson appointed by the Mayor, along with the Commissioners of the Police Department, the Department of Investigation, the Department of Sanitation, the Department of Consumer Affairs, and the Department of Small Business Services. The BIC Chairperson has day-to-day administrative management responsibility for the agency which is staffed by approximately 89 investigators, attorneys, auditors, administrative staff, and others.

Among other things, BIC licenses or registers businesses that seek to conduct a waste removal business and registers wholesalers who seek to sell their goods in public wholesale markets.¹ In connection with its regulatory activities, BIC conducts investigations of the applicants to determine if they possess the requisite qualifications to hold a license or to be allowed to sell in a public market. Upon approval, BIC will issue the applicant business a license or registration to operate, which must be renewed every two or three years. The Rules and Regulations of the City of New York establish license and registration application fees, which range from \$1,000 to \$7,500. Application fees may be paid by check, money order, or credit card and are due upon submission of an application either in-person or by mail.²

BIC uses the NIMBUS computer system to, among other things, track license and registration applications and account for associated fees.³ According to NIMBUS records, BIC received 1,306 trade waste and 51 public wholesale market license and registration applications during Fiscal Year 2018. For these applications, the agency reported license, registration, and other fees totaling \$6.8 million in the Comptroller's Fiscal Year 2018 Comprehensive Annual Financial Report (CAFR).

The 2016 Audit, issued on June 28, 2016, found that "BIC generally charged and collected appropriate application fees for trade waste and public wholesale market licenses and registrations. However, BIC did not adequately safeguard application fees that it received because it did not deposit cash receipts in a timely manner, properly secure cash receipts pending

¹ Commercial businesses operating within the City are required to have their waste removed by trade waste companies licensed by BIC. Alternatively, commercial businesses may obtain a self-hauler registration from BIC. Similarly, food wholesalers and businesses located or operating within designated City public wholesale markets must be registered with BIC. The designated City public wholesale markets include: the New York City Terminal Market (Hunts Point Produce Market); the Hunts Point Cooperative Market, Inc. (Hunts Point Meat Market); New Fulton Fish Market at Hunts Point; the Hunts Point Adjacent Area; the Gansevoort Meat Market; and the Brooklyn Wholesale Meat Market.

² The Rules and Regulations of the City of New York Title 17, Chapter 1, Subchapter B, Section 2-07(a) establishes trade waste license and registration application fees. Additionally, the Rule and Regulations of the City of New York Title 17, Chapter 2, Subchapter A, Section 11-03(b) establishes public wholesale market registration initial and renewal application fees. Finally, the Rules and Regulations of the City of New York Title 17, Chapter 2, Subchapter B, Sections 12-03(a)(2) establishes license and registration initial application and extension fees for seafood distribution areas; the Rule and Regulations of the City of New York Title 17, Chapter 2, Subchapter C, Section 13-03(b) establishes registration fees for distribution outside seafood distribution areas; and Subchapter D, Section 14-08(b) establishes registration fees for Market businesses, labor unions and labor organizations operating in seafood distribution areas.

³ NIMBUS is a proprietary software system developed by Salesforce that was customized to meet BIC's business and operational needs. In addition, BIC uses NIMBUS for other agency operational needs, including tracking vendor background investigations and accounting for violation fines.

deposit, and separate the duties for receiving cash receipts and accounting for them in NIMBUS.” Based on these findings, the 2016 Audit made nine recommendations. In its response to the 2016 Audit, BIC agreed with six recommendations and disagreed with three recommendations.

Objectives

To determine whether BIC implemented the nine recommendations made in the 2016 Audit report.

Scope and Methodology Statement

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). 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. 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.

The scope of this audit covers Fiscal Year 2018. 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 BIC officials during and at the conclusion of this audit. A preliminary draft report was sent to BIC and discussed at an exit conference held on April 2, 2019. On April 17, 2019, we submitted a draft report to BIC with a request for comments. We received a written response from BIC on May 8, 2019. In its response, BIC agreed with four of the six recommendations, and disagreed with two recommendations. BIC stated that its response to the follow-up audit’s recommendations reflects the agency’s recognition of the importance of internal controls “by outlining additional improvements to be implemented, while maintaining operational efficiency and the ability to effectively achieve the agency’s mission.”

RESULTS OF FOLLOW-UP AUDIT

Of the nine prior audit recommendations, we determined that BIC implemented three recommendations, partially implemented three recommendations, and did not implement three recommendations.

2016 Audit Finding: “BIC Did Not Deposit Cash Receipts in a Timely Manner”

The 2016 Audit found that BIC did not deposit license and registration application fees in the bank in a timely manner. Comptroller’s Directive #11, *Cash Accountability and Control*, states that the “inordinate accumulation of in-office cash receipts is not acceptable and, generally, all funds received must be deposited in the bank on at least a daily basis.” In the 2016 Audit, it was noted that BIC’s response to the Directive #1 Checklist for Calendar Year 2015 stated that cash receipts were not deposited daily because the agency was small and staff resources were limited. Therefore, BIC stated that it deposited cash receipts twice a month and that mitigating controls stated in Comptroller’s Directive #11 were followed. However, the 2016 Audit found that those mitigating controls were not properly or consistently used and that BIC had in fact held cash receipts for 30 days on average and, in some instances, up to 70 days.

Previous Recommendation #1: “BIC should electronically scan and deposit all funds received in the bank on at least a daily basis.”⁴

Previous BIC Response: “BIC agrees that cash receipts require timely depositing, however, the recommendation of a daily deposit is not practical due to staffing constraints. . . . BIC’s previous policy of bi-monthly depositing will be improved upon and staff will work to better ensure there are no delays with making deposits. BIC has begun testing a weekly deposit schedule and expects it to be implemented as the new policy.”

Current Status Recommendation #1: NOT IMPLEMENTED

In the current audit, we found that BIC did not electronically scan and deposit all funds received in the bank on at least a daily basis as required by Comptroller’s Directive #1. BIC continues to maintain that daily deposits are not practical due to its small staff size and the volume of work and noted that it has implemented a new policy of weekly deposits. However, Comptroller’s Directive #11 requires that “all funds received must be deposited in the bank on at least a daily basis, **except under extraordinary circumstances.**” [Emphasis added.] Since BIC can remotely deposit cash receipts from its office, BIC should safeguard cash receipts by depositing them on a daily basis.

Moreover, we found in this follow-up audit that BIC did not, in fact, fully comply with its stated policy of weekly deposits. Although all fees were accounted for, our audit found that of the 1,702 deposits made during Fiscal Year 2018, BIC held 1,093 checks and money orders for more than 7 days.⁵ BIC took between 8 and 17 days to make deposits ranging from \$5,000 to \$190,466.

⁴ In December 2015, BIC had entered into a new banking agreement that allowed it to electronically scan and deposit checks without any staff needing to leave the office.

⁵ A single license or registration application may have multiple payments associated with it. The BIC Finance Unit processes each payment separately. Therefore, the number of applications and payments processed during Fiscal Year 2018 is not the same.

Previous Recommendation #2: “BIC should consider entering into a lockbox arrangement with a local bank.”

Previous BIC Response: “As recommended by the Comptroller, BIC contacted the NYC Department of Finance (DOF) for further information regarding this type of arrangement. Based on our communication with DOF, BIC has concluded that a lockbox arrangement would not suit the trade waste or market application process.”

Current Status Recommendation #2: IMPLEMENTED

BIC maintained that it contacted DOF about a lockbox arrangement and concluded that a lockbox arrangement would not suit the trade waste or market application process. BIC stated that “[i]n a lockbox arrangement, the submission would be disconnected from BIC and thus creating a host of inefficiencies and issues including the need to allocate staff time to reconcile applications and payments made to a lockbox account, delays in processing applications deemed incomplete which are returned, create a work process prone to errors, and overall less productive.”

2016 Audit Finding: “BIC Did Not Properly Secure Cash Receipts”

The 2016 Audit found that BIC did not restrictively endorse checks and money orders as soon as they were received and did not always secure cash receipts awaiting deposit in a locked safe. Comptroller’s Directive #1 provides that

[a]n agency must establish physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, computers and other equipment, which might be vulnerable to risk of loss or unauthorized use.

Additionally, Comptroller’s Directive #11 requires 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.

However, the 2016 Audit found that prior to December 2015, the BIC Licensing Unit Supervisor restrictively endorsed checks and money orders manually using a rubber stamp, but only did this after he reviewed them the following week. Further, according to BIC officials, after BIC entered into an agreement that allowed it to remotely deposit checks, DOF advised BIC that checks and money orders would be endorsed electronically when they were scanned and, therefore, BIC no longer had to endorse checks and money orders manually upon receipt. Nevertheless, in its Calendar Years 2014 and 2015 Agency Evaluation of Internal Controls Directive #1 Checklist, BIC represented that restrictive endorsements were placed on incoming checks as soon as they were received and that cash on-hand was properly secured in a locked safe.

Previous Recommendation #3: “BIC should accurately represent BIC’s internal control structure in its Directive #1 Checklist.”

Previous BIC Response: “BIC is now aware that we misinterpreted the checklist and going forward will provide an explanation citing partial compliance and reference specific occurrences or situations of impact (i.e. electronic endorsements, staffing constraints). BIC will also seek clarification from the Comptroller as needed on any areas of Directive # 1 which are unclear to us.”

Current Status Recommendation #3: PARTIALLY IMPLEMENTED

In the current audit, we found that its Calendar Year 2017 Agency Evaluation of Internal Controls Directive #1 Checklist, BIC accurately represented its internal control structure for cash receipts including restrictive endorsements, daily deposits, segregation of duties, pre-numbered receipts, independent reviews, and reconciliations. However, we also found that BIC inaccurately represented that it properly secured cash on-hand. Our current audit found that BIC's Licensing Unit did not, in fact, properly secure cash receipts during the day. This issue is discussed below.

Previous Recommendation #4: "BIC should place restrictive endorsements on incoming checks and money orders as soon as they are received."

Previous BIC Response: "BIC was manually placing restrictive endorsements on incoming checks and money orders, but discontinued the practice as advised by DOF during a training session in November of 2015. At that time, BIC was instructed that City's new bank, Wells Fargo, would only allow electronic endorsements of deposited checks. BIC reconfirmed this information verbally with DOF on June 13 2016, but DOF is unwilling to memorialize this in writing. DOF has advised BIC that the Comptroller's Office has been made aware of Wells Fargo's policy on check endorsements. In an effort to safeguard checks and money orders from further vulnerability, BIC Licensing Specialists now submit to the Director of Licensing on a daily basis all checks and money orders which have been recorded in NIMBUS. The Director secures these checks and money orders in a separate locked safe with a combination lock."

Previous Auditor Comment: DOF provided the Comptroller's Office with a Wells Fargo Desktop Deposit Service User Guide, which states, "[p]ayee endorsements are recommended on all checks deposited, and on the check images submitted through the Desktop Deposit service. . . . Endorsements can be stamped or written on the original item prior to scanning. You may also enroll in our Virtual Endorsement feature, which will electronically overlay a preformatted endorsement on the back of each image."

Current Status Recommendation #4: NOT IMPLEMENTED

In the current audit, we found that BIC still did not place restrictive endorsements on incoming checks and money orders and secure them in a safe as soon as they were received as required by Comptroller's Directive #1. The Director of the Licensing Unit endorsed incoming checks and money orders at the end of the day. In its Calendar Year 2017 Agency Evaluation of Internal Controls Directive #1 Checklist, BIC responded that it "places the restrictive endorsements on the incoming payment after the carter's application has been reviewed and deemed complete and accurate for processing. This process is done in the event the applicant's application is incorrect or if applicant submits the wrong type of application and so the entire package including payment has to be sent back to the applicant." However, by not restrictively endorsing checks and money orders and not securing them in a safe upon receipt, BIC runs the risk that cash receipts could be lost or stolen.

Previous Recommendation #5: "BIC should secure checks and money orders awaiting deposit in a locked safe which has a combination that is changed periodically and known to few individuals."

Previous BIC Response: “BIC has immediately made adjustments and implemented this recommendation. At all times, all checks and money orders awaiting deposit are now secured in a locked safe with a combination lock to be changed periodically and known to few individuals.”

Current Status Recommendation #5: PARTIALLY IMPLEMENTED

In the current audit, we found that BIC secured checks and money orders in safes at the end of the day. However, BIC did not secure checks and money orders received *throughout* the day as required by Comptroller’s Directive #1. Rather, upon receipt, the BIC receptionist kept applications and associated cash receipts in a basket on top of her desk. At the end of the day, the BIC receptionist submitted applications and associated cash receipts to the Licensing Unit. The BIC Licensing Unit then secured the cash receipts in a safe. BIC officials maintained that there is always a member of the Licensing Unit at the front desk to ensure that applications are accepted and “secured” in the basket, and that the basket is always monitored. By not securing checks and money orders in a safe upon receipt, BIC runs the risk that cash receipts could be lost or stolen.

2016 Audit Finding: “BIC Did Not Segregate the Duties for Receiving and Recording Cash Receipts”

The 2016 Audit found that BIC did not segregate the duties for receiving and recording license and registration application fees. Comptroller’s Directive #1 states that

[k]ey duties and responsibilities need to be divided or segregated among different staff members to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.

In its Directive #1 Checklists for Calendar Years 2014 and 2015, BIC represented that the responsibilities for billing, collecting, depositing, and accounting for cash receipts were performed by different individuals. Further, BIC reported that it independently accounted for all cash receipts in two ways. First, BIC represented that incoming checks were listed when received by an individual outside of the accounting unit, and that upon its creation this list was independently reviewed and compared to cash receipts and deposit slips. Second, BIC represented that pre-numbered receipts were provided to payers, these receipts were issued in numerical sequence and accounted for numerically (including voided receipts), and matched to collection reports on a daily basis. However, based on the previous review of agency practice, none of these controls were actually in place.

The 2016 Audit found that BIC did not appropriately segregate duties because BIC Licensing Specialists were responsible for collecting application fees in addition to recording application fee charges and payments in NIMBUS. Further, BIC did not establish effective mitigating controls because it did not, in fact, perform independent reviews such as those described above—maintaining lists of incoming checks and independently reviewing them, and issuing pre-numbered receipts and accounting for related cash receipts—to ensure that all cash receipts are accounted for and deposited in the City’s general fund. Instead, BIC simply compared NIMBUS transaction ledgers detailing checks and money orders recorded by BIC Licensing Specialists to checks and money orders submitted by Licensing Specialists.

Previous Recommendation #6: “BIC should separate the responsibilities for collecting license and registration application fees and accounting for them in NIMBUS.”

Previous BIC Response: “The BIC Licensing Unit is currently appropriately staffed to receive and efficiently process the current volume of application submissions. The application and associated fees are collected and processed concurrently by the four Licensing Specialists. Once deemed complete, applications and the corresponding fees are recorded in NIMBUS as one process. It is not feasible to separate these duties, as the Licensing Unit does not have the staff resources to do so. However, we believe the internal controls cited in response to recommendations 7 and 8 below to be sufficient.”

Current Status Recommendation #6: IMPLEMENTED

In the current audit, we found that BIC separated the responsibilities for collecting license and registration application fees and accounting for them in NIMBUS. The BIC receptionist collected license and registration application fees and recorded them in a NIMBUS log, and BIC Licensing Specialists separately accounted for application fees in NIMBUS.

Previous Recommendation #7: “BIC should have an independent party (*i.e.*, someone who does not record charges and payments in NIMBUS and deposit cash receipts) record a list of checks and money orders that are received each day.”

Previous BIC Response: “With limited resources, our remedy for this recommendation is to utilize the agency receptionist to record receipt of all checks and money orders related to applications into a NIMBUS log separate from the tracking system utilized by the Licensing Specialists. BIC believes this process sufficiently addresses this concern.”

Current Status Recommendation #7: IMPLEMENTED

In the current audit, we found that BIC had an independent party, the BIC receptionist, record a list of checks and money orders received each day. The BIC receptionist was not responsible for recording charges and payments in NIMBUS and depositing cash receipts. BIC Licensing Specialists were responsible for recording charges and payments in NIMBUS and BIC’s Budget and Finance Unit was responsible for depositing cash receipts.

Previous Recommendation #8: “BIC should compare the list of checks and money orders that are received each day to those recorded in NIMBUS and deposited.”

Previous BIC Response: “The BIC Licensing Unit has implemented this recommendation. The Director of the Licensing Unit compares the NIMBUS mail log list of checks and money orders as recorded by the agency receptionist to the entries made in NIMBUS by the Licensing Specialists. On a weekly basis, the Director will continue to confirm that all fees entered into NIMBUS are physically accounted for and then pass them onto the Budget & Finance Unit for deposit.”

Current Status Recommendation #8: PARTIALLY IMPLEMENTED

In the current audit, we found that the BIC Director of the Licensing Unit compares the receptionist's list of checks and money orders received each day to fees and payments recorded by Licensing Specialists in NIMBUS. On a weekly basis, the BIC Director of the Licensing Unit sends a transmittal report detailing license and registration fees and payment information along with checks and money orders to the Budget & Finance Unit. Before depositing checks and money orders, the Budget & Finance Unit reviews the transmittal report and ensures that the unit received each of the checks and money orders listed on the report. However, the Budget & Finance Unit does not compare the list of checks and money orders that are received each day to those deposited.

Previous Recommendation #9: "BIC should issue pre-numbered receipts to payers in numerical sequence, account for all receipts, and compare them to cash receipts reports on a daily basis."

Previous BIC Response: "The majority of BIC applications and corresponding fees are sent via mail, FedEx, UPS, etc. to BIC. When a BIC applicant does appear in person to submit an application and fee, on occasion the applicant will request a receipt and the Licensing Unit staff will provide a timestamped photocopy of the check or money order as such. Again, due to staffing constraints, BIC does not have the resources to issue receipts for each fee and compare them to reports. BIC does accommodate any applicant requesting a receipt of their fee payment. Please be aware, that BIC is moving toward an electronic application process, which will include on-line fee payments for all application submissions. This process will generate appropriate confirmation receipts."

Current Status Recommendation #9: NOT IMPLEMENTED

In the current audit, we found that BIC did not issue pre-numbered receipts to payers in numerical sequence, account for all receipts, and compare them to cash receipts reports on a daily basis. BIC continues to maintain that customers may use the time-stamped copy of their applications as a receipt. However, since only a limited number of applicants make payments in-person, we reiterate that BIC should issue pre-numbered receipts to payers in numerical sequence, account for all receipts, and compare them to cash receipts reports on a daily basis.

Recommendations

To address the issues that still exist, we reiterate our recommendations that BIC should:

1. Electronically scan and deposit all funds received in the bank on a daily basis.

BIC Response: BIC disagreed with this recommendation, stating, "[w]hile BIC recognizes the importance of stringent policies in this area, *daily* deposits are not practical for an agency of BIC's size. Depositing funds received from applications is a multi-step process involving multiple units in the agency: the Licensing Unit and the Budget and Finance Unit. Going through this process on a daily basis would create an undue administrative burden on the agency."

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, BIC has the ability to remotely deposit checks from its office. Therefore,

we reiterate that BIC should electronically scan all funds received and deposit them in the bank on a daily basis.

2. Accurately represent BIC's internal control structure in its Directive #1 Checklist.

BIC Response: BIC agreed with this recommendation, stating, “[i]n response to this recommendation, BIC took immediate corrective action and implemented a new internal procedure: after recording the receipt of an application and associated fees in the NIMBUS mail log, the BIC receptionist or other Licencing Unit staff who may fill in at the reception desk now secures the received applications and associated fees in a locked cabinet. Twice daily (at lunchtime and at the end of the work day), the received applications and associated fees are transferred from the reception desk’s locked cabinet to the Licensing Unit’s locked cabinet for further review and processing. At the end of each day, the funds are secured in a locked safe in the Licensing Unit. This action should fully resolve this issue.”

“In the follow-up audit, the Comptroller found, in part, that ‘BIC inaccurately represented that it properly secured cash on-hand.’ This resulted from a misinterpretation of the proper procedures to be used in the Licensing Unit. We have resolved this issue through the procedures set forth immediately above.”

3. Place restrictive endorsements on incoming checks and money orders as soon as they are received.

BIC Response: BIC agreed with this recommendation, stating, “[o]n May 1, 2019, BIC spoke with DOF about this issue. DOF informed BIC that it may place the restrictive endorsement on checks and money orders, even if they may be returned to the applicant. According to DOF, BIC’s bank account has high security levels and, thus, returning a check or money order with BIC’s bank account number on it does not create a security risk. Therefore, on May 6, 2019, BIC’s Licensing Unit began placing restrictive endorsements on all received checks and money orders upon receipt.”

4. Secure checks and money orders awaiting deposit in a locked safe which has a combination that is changed periodically and known to few individuals.

BIC Response: BIC agreed with this recommendation, stating, “BIC immediately took corrective action regarding this matter by implementing an internal procedure by which the BIC receptionist or other Licensing Unit staff who may fill in at the BIC reception desk now secures received applications and associated fees throughout the day in a locked cabinet. Additionally, twice daily (at lunchtime and at the end of the work day), received applications and associated fees are transferred from the reception desk’s locked cabinet to the Licensing Unit’s locked cabinet for further review and processing. Those funds are then transferred to a safe in the Licensing Unit at the end of the day.”

5. Compare the list of checks and money orders that are received each day to those that are deposited.

BIC Response: BIC agreed with this recommendation, stating, “BIC is in the process of implementing a procedure for the Budget and Finance Unit to compare the list of checks and money orders that are received each day to those deposited. On a weekly basis, the Budget and Finance Unit will use the Licensing Unit director’s NIMBUS mail log list of checks and money orders to confirm that all fees entered

into NIMBUS are physically accounted for and received by the Budget and Finance Unit for deposit.”

6. Issue pre-numbered receipts to payers in numerical sequence, account for all receipts, and compare them to cash receipts reports on a daily basis.

BIC Response: BIC disagreed with this recommendation, stating, “[i]n the context of the manner in which BIC receives applications, and in light of BIC’s small size, it is impractical for BIC to issue pre-numbered receipts for each fee payment. . . . BIC is moving toward online electronic application and fee payments via DOF’s CityPay system. This system should end the collection of checks and money orders at BIC for applications and should be able to generate sequentially-numbered receipts.”

Auditor Comment: In its response, BIC did not state when it will be completely using DOF’s CityPay System. Until this system is fully in use, BIC should issue pre-numbered receipts to payers, which would enhance the internal controls over cash receipts.

DETAILED SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards. These 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.

The scope of this audit covered Fiscal Year 2018 (July 1, 2017 through June 30, 2018).

To obtain an understanding of BIC's efforts in implementing our 2016 Audit report's recommendations, we reviewed the prior New York City Comptroller's *Audit Report of Business Integrity Commission's Billing and Collection of Licensing and Registration Fees* (Audit No. FK16-090A) issued on June 28, 2016. In addition, we met with BIC officials to discuss what steps BIC took to implement each of the 2016 Audit's recommendations and to gain an understanding of BIC's Licensing Unit's procedures and internal controls. We also requested and reviewed BIC's formal written policies and procedures.

To obtain an understanding of the policies, procedures, and regulations governing BIC, we reviewed: Title 16-A, Chapter 1 of the New York City Administrative Code; and Chapter 1 and Chapter 2 of the New York City Rules and Regulations. We also reviewed the New York City Comptroller's Internal Control and Accountability Directive #1, *Principles of Internal Control*, Directive #11, *Cash Accountability and Control*, and BIC's Directive #1 Checklist responses for Calendar Year 2017. These Comptroller's Directives were used as criteria in evaluating BIC's controls over cash receipts.

We observed BIC personnel generate and extract a NIMBUS report of Fiscal Year 2018 trade waste and market applications along with the account name, BIC File number, application record ID, Type, and Date Received. From this report, we compiled a list of Trade Waste and Market license and registration applications initiated in Fiscal Year 2018. We determined that there were a total of 1,357 applications (1,306 trade waste and 51 public wholesale market license and registration applications) initiated during Fiscal Year 2018. To ensure that this list was complete, we selected a sample of 50 vendor files from BIC's file room and pulled the latest application or application renewal from these files and compared it with the report of Initiated Apps FY2018 generated in NIMBUS. To assess the accuracy and validity of the computer-processed information from the NIMBUS system, we randomly selected 50 applications from the report of Initiated Apps FY2018 and traced the information back to the hard-copy of applications maintained in the file room by the Department of Licensing.

To determine whether BIC deposited cash receipts on a timely basis, we obtained a report of All Fees for Fiscal Year 2018, which indicated check numbers, amounts, deposit dates, payment ID number, and BIC account. We also obtained the Transmittal report for Fiscal Year 2018, which contains the date the check was received. We then compared the date the check was received to the date it was deposited to calculate the length of time that fees were held. We also determined whether the check and money order amounts, received dates, and deposit dates were accurately entered into NIMBUS. Lastly, we reviewed bank statements and deposit records to ensure that checks were deposited in BIC bank accounts.

To determine whether BIC endorsed checks and money orders as soon as they are received, we observed the checks and money orders reconciliation process at both the Licensing Unit and the Budget & Finance Unit. To determine whether the fees were endorsed and deposited in BIC's bank account, we compared fees received during May 2018 from the report of Initiated Apps FY2018 to their corresponding checks or money orders.

To determine whether BIC's Licensing Unit and Budget & Finance Unit secured checks and money orders, we conducted walkthroughs and unannounced observations of both BIC's Licensing and Budget & Finance Units' locked safes.

To determine the accuracy of BIC's Directive #1 reporting, we obtained and reviewed BIC's Calendar Year 2017 Directive #1 Checklist and as explained above we conducted walkthroughs, observations, and tests.

The results of our sampling tests were not statistically projected to their respective populations. However, these results, together with the results of our other audit procedures and tests, provided sufficient evidence to support our conclusions about the implementation status of the 2016 Audit's recommendations with regard to BIC's Billing and Collection of Licensing and Registration Fees.



The City of New York
BUSINESS INTEGRITY COMMISSION
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Noah D. Genel
Commissioner and Chair

May 8, 2019

By Email and Hand Delivery

Ms. Marjorie Landa
Deputy Comptroller for Audit
City of New York Office of the Comptroller
1 Centre Street, Room 1100
New York, NY 10007

Re: *Follow-up Audit Report on the Business Integrity Commission's Billing and Collection of Licensing and Registration Fees, FP18-141F*

Dear Ms. Landa:

Thank you for providing the draft follow-up audit report regarding the Business Integrity Commission's Billing and Collection of Licensing and Registration Fees and allowing BIC the opportunity to respond. Pursuant to the New York City Administrative Code and the Rules of the City of New York, BIC charges and collects application fees from commercial trade waste businesses which operate, or intend to operate, in the City of New York. It is BIC's duty to ensure that industry businesses operate in a fair, competitive, and open environment without the influence of organized crime, corruption, or other forms of criminality.

As with the initial audit (FK16-090A), the Comptroller's follow-up audit (FP18-141F) found all fees accounted for and no instances of misappropriation or loss of license or registration application fees. These facts reflect the strength of BIC's current internal procedures, the dedication of BIC staff to the mission of the agency, and the agency's recognition of the importance of internal controls. Our response to the follow-up audit's recommendations reflects that recognition by outlining additional improvements to be implemented, while maintaining operational efficiency and the ability to effectively achieve the agency's mission.

BIC's response to the Comptroller's follow-up audit report is attached hereto. BIC is available to further discuss these matters.

Sincerely,

A handwritten signature in blue ink, appearing to read "Noah D. Genel", is written over a light blue horizontal line.

Noah D. Genel
Commissioner and Chair

cc: Alison Bonfoey, Deputy Commissioner, Regulatory Compliance and Background Investigations, NYC Business Integrity Commission
Jennifer Hoo, Director, Budget & Finance, NYC Business Integrity Commission
Nicholas Bon, Director, Licensing and Background Investigations, NYC Business Integrity Commission
Yasmin A. Fernandez, Audit Manager, Audit Bureau, Office of the New York City Comptroller
Vanessa L. Rodriguez-Colon, Audit Supervisor, Audit Bureau, City of New York Office of the Comptroller
Florim Ardolli, Associate Director for Audits, NYC Mayor's Office of Operations

Response to Comptroller's Follow-up Audit (FP18-141F)

The objective of the Comptroller's follow-up audit was to determine whether the New York City Business Integrity Commission had implemented the nine recommendations made in the Comptroller's 2016 Audit report. The scope of this follow-up audit covered Fiscal Year 2018 (FY18) and revisited the trade waste application fee processes of two BIC units: the Licensing Unit – as the collection point of application fees – and the Budget and Finance Unit – as tasked with depositing the application fees. In FY18, the Licensing Unit was comprised of one director, four licensing specialists and one agency receptionist; the Budget and Finance Unit included one director and one accounting specialist. Of the nine prior audit recommendations, the Comptroller concluded in the follow-up audit that BIC had fully implemented three, had partially implemented three, and had not implemented three. For both the initial audit and the follow-up, the Comptroller found all fees accounted for and no instances of misappropriation or loss of license or registration application fees.

In response to the 2016 audit, BIC agreed with six of the recommendations and disagreed with three, for the reasons stated in the agency's response to that report. As a result, BIC implemented a number of changes to our internal procedures. With respect to the follow-up audit, while some recommendations continue to pose challenges to the agency – particularly due to its small size – BIC has or shortly will make additional changes in response to the audit that will continue to strengthen areas potentially susceptible to misappropriation or loss. BIC's responses to the follow-up audit are set forth as follows:

2016 Audit Finding: "BIC did not deposit cash receipts in a timely manner."

Previous Comptroller Recommendation #1: "BIC should electronically scan and deposit all funds received in the bank on at least a daily basis."

Previous BIC Response #1: "BIC agrees that cash receipts require timely depositing, however, the recommendation of a daily deposit is not practical due to staffing constraints of both units - Licensing and Budget & Finance. The additional time needed to process and deposit funds received on a daily basis would negatively impact each unit by causing delays of all other duties. This would reduce productivity in both areas. BIC's previous policy of bi-monthly depositing will be improved upon and staff will work to better ensure there are no delays with making deposits. BIC has begun testing a weekly deposit schedule and expects it to be implemented as the new policy."

Current Comptroller Status Recommendation #1: Not implemented, and noted "Although all fees were accounted for, our audit found that of the 1,702 deposits made during Fiscal Year 2018, BIC held 1,093 checks or money orders from more than 7 days. BIC took between 8 and 17 days to make deposits..."

Current BIC Response #1: Since the 2016 audit, BIC has strengthened its policies and procedures in this area by moving to a schedule in which BIC deposits all collected funds once a week. All received funds are kept securely until deposited, as evidenced by the fact that the audit found no instances of misappropriation or loss of funds. While BIC recognizes the importance of stringent policies in this area, *daily* deposits are not practical for an agency of BIC's size. Depositing funds received from applications is a multi-step process involving multiple units in the agency: the Licensing Unit and the Budget and Finance Unit. Going through this process on a daily basis would create an undue administrative burden on the agency.

Importantly, daily deposits would also create an administrative burden on the New York City Department of Finance: when a submitted application is found to be inaccurate or incomplete, BIC's Licensing Unit returns the application and the accompanying check to the applicant. It is frequently not possible to determine that the application needs to be returned on the day it is received. Rather, it often requires a more-detailed review, which may take – at minimum – several days. If BIC were to deposit the application fees immediately and then determine that the

application needs to be returned, BIC would have to refund the application fee. The refund process is lengthy and involves coordination with NYC DOF, which is the agency that issues the refund.

BIC's weekly deposit schedule is a marked improvement from past policies. Notably, BIC is moving toward an online electronic application process. Once instituted, online fee payments via the NYC DOF's CityPay system should fully resolve this matter. This online process will include design assurances that the submitted application will be complete and accurate.

Previous Comptroller Recommendation #2: Consider entering into a lockbox¹ arrangement with a local bank.

Previous BIC Response #2: As recommended by the Comptroller, BIC contacted the NYC Department of Finance (DOF) for further information regarding this type of arrangement. Based on our communication with DOF, BIC has concluded that a lockbox arrangement would not suit the trade waste or market application process. Application fee payments are required upfront with license and registration application submissions. Fees are non-refundable regardless of the outcome of the application (i.e. approval, denial). In order for BIC to accept and process a license or registration application, the proper fee payment must accompany an original and complete application submission. In a lockbox arrangement, the submission would be disconnected from BIC and thus creating a host of inefficiencies and issues including the need to allocate staff time to reconcile applications and payments made to a lockbox account, delays in processing applications deemed incomplete which are returned, create a work process prone to errors, and overall less productive.

Current Comptroller Status Recommendation #2: Implemented

2016 Audit Finding: "BIC did not properly secure cash receipts"

Previous Comptroller Recommendation #3: BIC should accurately represent BIC's internal control structure in its Directive #1 checklist.

Previous BIC Response #3: BIC had understood its response to Directive #1 to be complete. BIC is now aware that we misinterpreted the checklist and going forward will provide an explanation citing partial compliance and reference specific occurrences or situations of impact (i.e. electronic endorsements, staffing constraints). BIC will also seek clarification from the Comptroller as needed on any areas of Directive #1 which are unclear to us. BIC wishes to express to the Comptroller that some Directives may not be appropriate for agencies with limited staff and resources and request consideration of accommodations for small agencies.

Current Comptroller Status Recommendation #3: Partially implemented, and noted "In the current audit, we found that its Calendar Year 2017 Agency Evaluation of Internal Controls Directive #1 Checklist, BIC accurately represented its internal control structure for cash receipts However, we also found that BIC inaccurately represented that it properly secured cash on-hand. Our current audit found that BIC's Licensing Unit did not, in fact, properly secure cash receipts during the day."

Current BIC Response #3: In response to this recommendation, BIC took immediate corrective action and implemented a new internal procedure: after recording the receipt of an application and associated fees in the NIMBUS mail log, the BIC receptionist or other Licensing Unit staff who may fill in at the reception desk now secures the received applications and associated fees in a locked cabinet. Twice daily (at lunchtime and at the end of the work day), the received applications and associated fees are transferred from the reception desk's locked cabinet to the Licensing Unit's

¹Under a lockbox arrangement, an entity directs its payees to send payments to a bank-controlled mailing address. Upon receiving the incoming mail, the bank deposits all payments in the entity's bank account and scans payments and any associated paperwork. The scanned images are posted to a secure website which may be accessed by the entity's accounting staff.

locked cabinet for further review and processing. At the end of each day, the funds are secured in a locked safe in the Licensing Unit. This action should fully resolve this issue.

In the follow-up audit, the Comptroller found, in part, that “BIC inaccurately represented that it properly secured cash on-hand.” This resulted from a misinterpretation of the proper procedures to be used in the Licensing Unit. We have resolved this issue through the procedures set forth immediately above.

Previous Comptroller Recommendation #4: “BIC should place restrictive endorsements on incoming checks and money orders as soon as they are received.”

Previous BIC Response #4: BIC was manually placing restrictive endorsements on incoming checks and money orders, but discontinued the practice as advised by DOF during a training session in November of 2015. At that time, BIC was instructed that City’s new bank, Wells Fargo, would only allow electronic endorsements of deposited checks. BIC reconfirmed this information verbally with DOF on June 13, 2016, but DOF is unwilling to memorialize this in writing. DOF has advised BIC that the Comptroller’s Office has been made aware of Wells Fargo’s policy on check endorsements. In an effort to safeguard checks and money orders from further vulnerability, BIC Licensing Specialists now submit to the Director of Licensing on a daily basis all checks and money orders which have been recorded in NIMBUS. The Director secures these checks and money orders in a separate locked safe with a combination lock.

Previous Auditor Comment #4: DOF provided the Comptroller’s Office with a Wells Fargo Desktop Deposit Service User Guide, which states, “[p]ayee endorsements are recommended on all checks deposited, and on the check images submitted through the Desktop Deposit service... Endorsements can be stamped or written on the original item prior to scanning. You may also enroll in our Virtual Endorsement feature, which will electronically overlay a preformatted endorsement on the back of each image.”

Current Comptroller Status Recommendation #4: Not Implemented, and noted that “BIC still did not place restrictive endorsements on incoming checks and money orders... as soon as they were received as required by Comptroller’s Directive #1. The Director of the Licensing Unit endorsed incoming checks and money orders at the end of the day. In its Calendar Year 2017 Agency Evaluation of Internal Controls Directive #1 Checklist, BIC responded that it places the restrictive endorsements on the incoming payment after the carter’s application has been reviewed and deemed complete and accurate for processing...in the event an applicant’s application is incorrect...the entire package including payment has to be sent back to the applicant.”

Current BIC Response #4: Following the 2016 audit, BIC began placing restrictive endorsements on checks and money orders daily for those associated with applications deemed complete and ready for processing. However, BIC did not place restrictive endorsements on the checks and money orders immediately because BIC’s endorsement contained BIC’s bank account number. Frequently, BIC returns an application and its corresponding check or money order for the fee when BIC staff finds the application to be incomplete or inaccurate. BIC was concerned about returning a check or money order with that endorsement on it.

On May 1, 2019, BIC spoke with DOF about this issue. DOF informed BIC that it may place the restrictive endorsement on checks and money orders, even if they may be returned to the applicant. According to DOF, BIC’s bank account has high security levels and, thus, returning a check or money order with BIC’s bank account number on it does not create a security risk. Therefore, on May 6, 2019, BIC’s Licensing Unit began placing restrictive endorsements on all received checks and money orders upon receipt. This new procedure is handled by the BIC receptionist or other Licensing Unit staff who may be assigned to the reception desk. The

endorsement stamp is secured in a locked cabinet at the reception desk throughout the day. At the end of the day, that stamp is secured in a locked cabinet in the Licensing Unit. This procedure should fully resolve this recommendation.

Previous Comptroller Recommendation #5: “BIC should secure checks and money orders awaiting deposit in a locked safe which has a combination that is changed periodically and known to few individuals.”

Previous BIC Response #5: BIC has immediately made adjustments and implemented this recommendation. At all times, all checks and money orders awaiting deposit are now secured in a locked safe with a combination lock to be changed periodically and known to few individuals.

Current Comptroller Status Recommendation #5: Partially Implemented, and noted “BIC secured checks and money orders at the end of the day. However, BIC did not secure checks and money orders received *throughout* the day as required by Comptroller’s Directive #1...the BIC receptionist kept applications and associated cash receipts in a basket on top of her desk. At the end of the day... the BIC Licensing Unit then secured the cash receipts in a safe.”

Current BIC Response #5: As noted above in response to Recommendation #3, BIC immediately took corrective action regarding this matter by implementing an internal procedure by which the BIC receptionist or other Licensing Unit staff who may fill in at the BIC reception desk now secures received applications and associated fees throughout the day in a locked cabinet. Additionally, twice daily (at lunchtime and at the end of the work day), received applications and associated fees are transferred from the reception desk’s locked cabinet to the Licensing Unit’s locked cabinet for further review and processing. Those funds are then transferred to a safe in the Licensing Unit at the end of the day. This action should fully resolve this issue.

2016 Audit Finding: “BIC did not segregate duties for receiving and recording cash receipts”

Previous Comptroller Recommendation #6: “BIC should separate the responsibilities for collecting license and registration application fees and accounting for them in NIMBUS.”

Previous BIC Response #6: The BIC Licensing Unit is currently appropriately staffed to receive and efficiently process the current volume of application submissions. The application and associated fees are collected and processed concurrently by the four Licensing Specialists. Once deemed complete, applications and the corresponding fees are recorded in NIMBUS as one process. It is not feasible to separate these duties, as the Licensing Unit does not have the staff resources to do so. However, we believe the internal controls cited in response to recommendations 7 and 8 below to be sufficient.

Current Comptroller Status Recommendation #6: Implemented

Previous Comptroller Recommendation #7: “BIC should have an independent party (i.e. someone who does not record charges and payments in NIMBUS and deposit cash receipts) record a list of checks and money orders that are received each day.”

Previous BIC Response #7: With limited resources, our remedy for this recommendation is to utilize the agency receptionist to record receipt of all checks and money orders related to applications into a NIMBUS log separate from the tracking system utilized by the Licensing Specialists. BIC believes this process sufficiently addresses this concern.

Current Comptroller Status Recommendation #7: Implemented

Previous Comptroller Recommendation #8: “BIC should compare the list of checks and money orders that are received each day to those recorded in NIMBUS and deposited.”

Previous BIC Response #8: The BIC Licensing Unit has implemented this recommendation. The Director of the Licensing Unit compares the NIMBUS mail log list of checks and money orders as recorded by the agency receptionist to the entries made in NIMBUS by the Licensing Specialists. On a weekly basis, the Director will continue to confirm that all fees entered into NIMBUS are physically accounted for and then pass them onto the Budget & Finance Unit for deposit.

Current Comptroller Status Recommendation #8: Partially Implemented, and noted “the Budget & Finance Unit does not compare the list of checks and money orders that are received each day to those deposited.”

Current BIC Response #8: BIC is in the process of implementing a procedure for the Budget and Finance Unit to compare the list of checks and money orders that are received each day to those deposited. On a weekly basis, the Budget and Finance Unit will use the Licensing Unit director’s NIMBUS mail log list of checks and money orders to confirm that all fees entered into NIMBUS are physically accounted for and received by the Budget and Finance Unit for deposit. BIC expects that this action will fully resolve this issue.

Previous Comptroller Recommendation #9: “BIC should issue pre-numbered receipts to payers in numerical sequence, account for all receipts, and compare them to cash receipts reports on a daily basis.”

Previous BIC Response #9: The majority of BIC applications and corresponding fees are sent via mail, FedEx, UPS, etc. to BIC. When a BIC applicant does appear in person to submit an application and fee, on occasion the applicant will request a receipt and the Licensing Unit staff will provide a timestamped photocopy of the check or money order as such. Again, due to staffing constraints, BIC does not have the resources to issue receipts for each fee and compare them to reports. BIC does accommodate any applicant requesting a receipt of their fee payment. Please be aware, that BIC is moving toward an electronic application process, which will include on-line fee payments for all application submissions. This process will generate appropriate confirmation receipts.

Current Comptroller Status Recommendation #9: Not Implemented, and noted “BIC should use pre-numbered receipts to payers in numerical sequence, account for all receipts, and compare them to cash receipts reports on a daily basis.”

Current BIC Response #9: In the context of the manner in which BIC receives applications, and in light of BIC’s small size, it is impractical for BIC to issue pre-numbered receipts for each fee payment. Firstly, a majority of BIC applications and corresponding fees are received via mail, FedEx, UPS or some other method of correspondence. Most applications are not filed in person. Issuing a receipt for the applications that are not filed in person is not practicable. However, any applicant sending in an application via FedEx, UPS or even certified mail can track the package to ensure it was received, and BIC staff will confirm receipt over the phone for an applicant.

Secondly, a significant percentage of applications are deemed incomplete or inaccurate and are returned to the applicant along with the related check or money order. This factor would cause additional administrative issues with resolving the fact that a “received” application was returned to the applicant. As previously noted, BIC accommodates any applicant requesting a receipt of their fee payment by issuing a date-stamped copy of that check or money order; all applicants who pay fees by credit card receive a credit card receipt.

Lastly, as noted above, BIC is moving toward online electronic application and fee payments via DOF's CityPay system. This system should end the collection of checks and money orders at BIC for applications and should be able to generate sequentially-numbered receipts. The online system should also resolve BIC's issues regarding daily deposits, check endorsements, security of cash receipts and segregation of duties.