

AUDIT REPORT



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

Audit Report on the Controls of The Landmarks Preservation Commission over Its Other Than Personal Service Expenditures

MD06-056A

May 26, 2006



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341

WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the Comptroller's responsibilities contained in Chapter 5, §93, of the New York City Charter, my office has audited the Landmarks Preservation Commission's (Commission's) controls over its Other Than Personal Service (OTPS) expenditures.

The Commission is responsible for identifying and designating city landmarks and for regulating changes to historically designated buildings. We audit entities such as this to ensure that they spend City funds appropriately and in accordance with applicable policies and procedures.

The results of our audit, which are presented in this report, have been discussed with Commission officials, and their comments have been considered in preparing 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 or telephone my office at 212-669-3747.

Very truly yours,

A handwritten signature in black ink that reads "Will C. Thompson, Jr." in a cursive style.

William C. Thompson, Jr.

WCT/ec

Report: MD06-056A

Filed: May 26, 2006

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

**Audit Report on the Controls of the
Landmarks Preservation Commission over Its
Other Than Personal Service Expenditures**

MD06-056A

AUDIT REPORT IN BRIEF

This audit determined whether the Landmarks Preservation Commission (Commission) is complying with applicable policies and procedures regarding its Other Than Personal Service (OTPS) expenditures. The Commission was established by New York City Local Law in 1965. The Commission is responsible for identifying and designating city landmarks and for regulating changes to historically designated buildings. The Commission consists of a Chairman, 10 non-paid Commissioners, and 54 full-time staff members, including architects, architectural historians, restoration specialists, planners, and archaeologists, as well as administrative, legal, and clerical personnel. The Commissioners meet several times a month for public hearings and public meetings. The Commission's OTPS expenditures for Fiscal Year 2005 was \$404,994.

Audit Findings and Conclusions

The Commission generally complied with applicable PPB rules and Comptroller's Directives when processing OTPS expenditures. Most purchases were authorized, documented, and approved. There was adequate segregation of responsibilities over the procurement and payment process. In addition, imprest fund checks did not exceed the \$250 expenditure limit and, when applicable, purchases were made through the available City requirements contracts. Furthermore, we found no evidence of split purchasing in violation of §3-08 of the PPB rules.

However, some of our sampled expenditures had problems in a number of areas, including: excessive or insufficiently documented food expenditures; incorrect use of City funds; annual inventory list not maintained; lack of bank reconciliations; and Accountability Reports not prepared or submitted to the Comptroller's Office on a timely basis.

Audit Recommendations

Based on our findings, we make 11 recommendations, including the following:

Commission officials should:

- Develop and adhere to written procedures regarding meal expenditures that conform to Comptroller's Directive #6.
- Ensure that the expenditures incurred are for appropriate business needs as stated in Comptroller's Directive #6.
- Maintain an inventory listing of materials and supplies and submit an Annual Inventory Listing of Materials and Supplies to the Comptroller's Office, as required by the Comptroller's "Fiscal Year-End Closing Instructions."
- Ensure that bank reconciliations are performed on a monthly basis.
- Ensure that they prepare and submit the year-end Accountability Reports to the Comptroller's Office on a timely basis.

Agency Response

Commission officials agreed with 7 of the audit's 11 recommendations, disagreed with 2 recommendations, and did not respond to 2 recommendations.

INTRODUCTION

Background

The Landmarks Preservation Commission (Commission) was established by New York City Local Law in 1965. The Commission is responsible for identifying and designating city landmarks and for regulating changes to historically designated buildings. The Commission works with owners of designated buildings to make certain that building alterations are appropriate and do not detract from the special character of the City's landmarks and historic districts. The Commission also has an enforcement staff that investigates complaints of illegal work and initiates action to compel compliance with the Landmarks Law.

Since 1965, the Commission has designated 1,113 individual landmarks, 22,000 properties in 82 historic districts, and 11 extensions made to existing historic districts. The Commission annually reviews more than 8,000 applications to alter landmark structures.

The Commission consists of a Chairman, 10 non-paid Commissioners, and 54 full-time staff members, including architects, architectural historians, restoration specialists, planners, and archaeologists, as well as administrative, legal, and clerical personnel. The Commissioners meet several times a month for public hearings and public meetings. At these meetings, they address Commission policies; review, discuss, and vote on landmark designations and applications to make changes to designated properties; and establish guidelines for future alterations to designated buildings.

The Commission's Other Than Personal Service (OTPS) expenditures for Fiscal Year 2005 totaled \$404,994.

Objective

The objective of this audit was to determine whether the Commission is complying with applicable policies and procedures regarding its OTPS expenditures.

Scope and Methodology

The scope of our audit was Fiscal Year 2005.

To obtain an understanding of the Commission's purchasing procedures, we interviewed the agency's Executive and Administrative Directors, as well as its Deputy Counsel and Office Manager.

The Commission does not have its own purchasing manual. However, Commission officials stated that the Commission follows the City's Procurement Policy Board (PPB) rules and the New York City Comptroller's Directives. Therefore, we reviewed and used the following documents as audit criteria:

- Chapter 3, §3-08, “Small Purchases,” of the PPB rules
- Comptroller’s Directive #1, “Principles of Internal Control”
- Comptroller’s Directive #3, “Procedures for the Administration of Imprest Funds”
- Comptroller’s Directive #6, “Travel, Meals Lodging and Miscellaneous Agency Expenses”
- Comptroller’s Directive #11, “Cash Accountability and Control”
- Comptroller’s Directive #24, “Agency Purchasing Procedures and Controls”
- Comptroller’s *Fiscal Year End Closing Instructions for Inventory*

To determine whether there was adequate segregation of duties over the purchasing and payment functions, we reviewed the Commission’s list of individuals and their corresponding authorization levels assigned to the City’s Financial Management System (FMS). We determined whether the employees who prepared purchase orders and vouchers did not also have the authorization level to approve them.

To determine whether the Commission complied with PPB rules and applicable Comptroller’s Directives for purchasing and procurement, we examined 51 procurement files totaling \$279,494, from a population of 67 procurement files totaling approximately \$291,964. In addition, we reviewed the four miscellaneous voucher payments issued by the Commission during Fiscal Year 2005, totaling \$3,003.

We reviewed the supporting documentation for each of our sampled transactions to determine whether:

- Procurement documents were completed and had the requisite approvals and authorizations.
- Bids were solicited in accordance with PPB rules.
- Transactions were supported by proper documentation and were for proper business purposes.
- Purchases were charged to the correct budget codes, object codes, and fiscal years.
- Miscellaneous vouchers were used correctly.
- Ordered goods were received.
- Invoices were checked for clerical accuracy and were canceled to prevent duplicate payment.
- Payments matched the invoices and were in the correct amounts.

- There was evidence of split purchasing.

We examined the 42 imprest fund transactions made during Fiscal Year 2005, totaling \$5,756 that were related to payments for food. We determined whether these expenditures exceeded the allowable amounts for meals stated in Comptroller's Directive #6 and whether the payments were valid and documented. We also determined whether the imprest fund account was reconciled to the bank statements on a monthly basis and whether the Commission submitted its year-end Accountability Report for its imprest fund to the Comptroller's Office.

We determined whether the Commission maintained a Master Inventory Listing and submitted it annually to the Comptroller's Office, as required by the Comptroller's "Fiscal Year-End Closing Instructions for Inventory."

Although the results of the above tests cannot be projected to the entire population of purchases for the fiscal year, they provided us a reasonable basis to assess the Commission's compliance with the above-mentioned City purchasing guidelines.

The audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of records and other auditing procedures considered necessary. The audit was performed in accordance with the audit responsibilities of the Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

Discussion of Audit Results

The matters covered in this report were discussed with Commission officials during and at the conclusion of this audit. A preliminary draft report was sent to Commission officials and discussed at an exit conference held on March 29, 2006. On April 17, 2006, we submitted a draft report to Commission officials with a request for comments. We received a written response from them on May 2, 2006. In their response Commission officials agreed with 7 of the audit's 11 recommendations, disagreed with 2 recommendations, and did not respond to 2 recommendations.

The full text of the Commission's comments is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

The Commission generally complied with applicable PPB rules and Comptroller's Directives when processing OTPS expenditures. Most purchases were authorized, documented, and approved. There was adequate segregation of responsibilities over the procurement and payment process. In addition, imprest fund checks did not exceed the \$250 expenditure limit and, when applicable, purchases were made through the available City requirements contracts. Furthermore, we found no evidence of split purchasing in violation of §3-08 of the PPB rules.

However, some of our sampled expenditures had problems in the following areas:

- Inadequate maintenance of required documents
- Excessive or insufficiently documented food expenditures
- Incorrect use of City funds
- Improper use of miscellaneous vouchers
- Incorrect use of object codes
- Annual inventory list not maintained
- Lack of bank reconciliations
- Accountability Reports not prepared or submitted to the Comptroller's Office on a timely basis
- Open encumbered purchase orders

These issues are discussed in the following sections of the report.

Inadequate Maintenance of Required Documents

For some of our sampled purchases, the Commission failed to maintain bidding documentation on file. Of the 13 purchases that required bid documentation, 11 (85%) did not have bid requests and responses in the files. These 11 purchases totaled \$154,981.

According to Comptroller's Directive #24, agencies are required to retain all documentation received from vendors, such as bids and proposals. These documents indicate that the agency is receiving the best purchase prices. Without the bids and bid responses, we were unable to determine whether or not the agency received competitive prices when making the purchases.

Recommendation

1. Commission officials should ensure that they maintain all the required documents in the procurement files to support purchases.

Commission Response: "The Commission will ensure the required documents are filed."

Excessive Meal Expenditures

The Commission spent \$5,266 for food expenses for 38 Commission meetings during Fiscal Year 2005, of which \$1,995 (38%) was excessive or insufficiently documented.

- In 34 instances, snack costs exceeded the amounts allowable under Comptroller's Directive #6 by a total of \$1,053.
- Sixteen payments of food bills, totaling \$942, lacked documentation to support the expenditures.

Section 8.1, "Modest Meals and Light Refreshments," of Comptroller's Directive #6 states that "when a non-paid board holds a regularly scheduled meeting, Light Refreshments and/or a Modest Meal may be provided, as appropriate."

The directive describes light refreshments, as soft drinks, coffee, and cake at a maximum cost of \$3 per person. Modest meals, such as a sandwich or similar fare, and a soft drink, may be provided at a maximum cost of \$8 per person. These rates are to include tips and taxes.

The Commission met 38 times during Fiscal Year 2005. For 34 of the 38 meetings, the Commission ordered late afternoon snacks for 10 people usually costing \$58 (\$5.80 per person), regardless of how many people attended. For 11 meetings, there were 10 Commissioners that attended and the Comptroller's Directive #6 per person limit for snacks was exceeded by as much as \$2.80. In 23 instances, fewer than 10 Commissioners were at the meeting when the snacks were served. For these meetings the Comptroller's Directive #6 per person limit for snacks was exceeded by as much as \$8.60 per person. For example, the Commission held a public hearing on March 29, 2005, and ordered snacks for 10 people, totaling \$58. However, only five Commissioners attended the afternoon session, making the cost incurred \$11.60 per person. In total, snack costs exceeded the allowable amounts as per the directive by \$1,048, 20 percent of the total amount expended (\$5,266). When it becomes apparent that certain commissioners will not be present at a meeting, the snack order should be reduced accordingly.

In addition, documents for 16 of the payments for food, totaling \$941, lacked documentation, such as attendance sheets or invoices, to support the expenditures. As a result, we were unable to substantiate that the Commission ordered meals for the correct number of individuals and that they stayed within the amounts allowed under Comptroller's Directive #6.

Recommendations

Commission officials should:

2. Develop and adhere to written procedures regarding meal expenditures that conform to Comptroller's Directive #6.

Commission Response: Commission officials did not respond directly to this recommendation.

3. Ensure that snacks are ordered for the number of individuals actually attending the meeting.

Commission Response: “When Commissioner meetings are held small meal orders (standard cookie platters) are placed the day before based on anticipated attendance. On occasion Commissioners may need to cancel all or part of their attendance at the last minute. Those cancellations are unforeseeable. The Commission will continue to monitor these expenses very closely.”

Auditor Comment: Since Commission officials are aware that Commissioners may cancel their attendance at meetings, we suggest that snacks not be ordered the day before the meeting, but instead ordered when an exact number of attendees can be confirmed.

4. Ensure that proper supporting documents exist for meal expenditures.

Commission Response: Commission officials did not respond directly to this recommendation.

Incorrect Use of City Funds

The Commission made three purchases, totaling \$1,470, that were not allowable expenditures under Comptroller’s Directive #6. According to §14.6 of Comptroller’s Directive #6,

“Costs incurred in connection with swearing-in ceremonies, testimonial dinners, funerals, retirement or farewell parties, fund-raising functions and other similar events are considered social functions which are inappropriate City Expenditures. Generally, these items may not be charged to an agency, either directly or as reimbursement to an employee.”

Two of the purchases in question, amounting to \$154 and \$168, were payments for cakes and refreshments, such as tea and coffee. One of the cakes was inscribed “Best Luck Marion” and the other “Thank You Sharida,” indicating that both were expenditures for individuals and not related to the day-to-day operations of the Commission. Both of these payments were made using the imprest fund. The third purchase, totaling \$1,148, was for a going-away reception held on December 1, 2004, at City Hall.

Recommendation

5. Commission officials should ensure that the expenditures incurred are for appropriate business needs as stated in Comptroller's Directive #6.

Commission Response: "One of the two cake purchases was included as part of the standard snacks for a regularly scheduled Commission meeting, which coincidentally occurred on a Commissioner's birthday."

Auditor Comment: The standard amount allowed for snacks under Comptroller's Directive #6 is \$3 per person. Even if the maximum number of Commissioners attended a meeting, the Commission should not have spent more than \$30 for snacks. The purchase of cakes in the amounts of \$154 and \$168 exceeded the standard amount allowable and were expenditures not relating to the day-to-day operations of the Commission.

Commission Response: "The expense which the audit describes as payment for a going away reception was in connection with a function held. . . at City Hall, which was done with the Commission's advice and assistance for prominent members of the preservation community, including members of such organizations as the Municipal Arts Society and the Landmarks Conservancy. We respectfully disagree with the characterization of this event and believe it was an appropriate expenditure related to the Commission's mission. The event also provided an opportunity to recognize the Director of the Preservation Department, who has made a significant contribution to the city in his eighteen years of service. The Commission will continue to monitor its expenditures for compliance with Comptroller's Directive #6."

Auditor Comment: As stated previously, according to Comptroller's Directive #6, expenditures for social functions and receptions are inappropriate and may not be charged to an agency.

Improper Use of Miscellaneous Vouchers

The Commission improperly used miscellaneous payment vouchers to make three payments totaling \$1,855.

Comptroller's Directive #24 stipulates that miscellaneous vouchers may be used only when the estimated or actual future liability cannot be determined or when a contract or a purchase document is not required or applicable. Miscellaneous vouchers should not be used when the estimated cost and actual future liability is determinable.

Two of the miscellaneous vouchers, totaling \$1,532, were used to pay for seminars; the other voucher, totaling \$323, was used to pay an intern's salary. These expenditures had estimated liabilities that the Commission could have determined in advance and therefore should not have been paid using a miscellaneous payment vouchers.

The inappropriate use of miscellaneous vouchers contributes to the distortion of the City's books of accounts by understating the City's outstanding obligations. Commission officials should not use miscellaneous payment vouchers when the estimated or actual future liability is determinable.

Recommendation

6. Commission officials should ensure that the Commission uses miscellaneous payment vouchers only in the circumstances specified in Comptroller's Directive #24.

Commission Response: "We are no longer using this type of voucher."

Incorrect Use of Object Codes

Two (22 %) of the nine purchase orders issued by the Commission, totaling \$634, were charged to incorrect object codes.

In one instance, the Commission charged \$588 for computer consultant services to object code 2200 (Capital Purchased Equipment) rather than to object code 6840 (Professional Services, Computer Services, Contractual). The City's Chart of Accounts states that all computer consulting services should be charged to object code 6840. In another instance, the Commission charged \$46 for telephone and telegram services to object Code 4030 (Office Services, Membership Dues & Fees) rather than to object code 4020 (Telephone and Other Communications.) According to the City's Chart of Accounts, all telephone and other communications services should be charged to object code 4020.

Comptroller's Directive #24, §6.0, states, "Payment Voucher approvers must ensure that . . . the appropriate accounting and budget codes are being charged. This includes charging the correct unit of appropriation and correct object code within that unit of appropriations."

The use of the correct object code enables an agency to categorize the type and amount of a particular expense item within a fiscal year. This information is used to generate the year-end reports that identify expenditure patterns. Expenditures by object code are also reported in the annual *Financial Report of the Comptroller*. The use of incorrect object codes can compromise management's ability to properly plan future budgets.

Recommendation

7. Commission officials should ensure that purchases are charged to the correct object codes.

Commission Response: "The Commission agrees with this recommendation."

Annual Inventory List Not Maintained

The Commission did not maintain and submit an Annual Inventory Listing of Materials and Supplies to the Comptroller's Office, as required by the Comptroller's "Fiscal Year-End Closing Instructions for Inventory." According to the Comptroller's instructions:

"It is . . . necessary that all City agencies submit the value of its material and supplies inventory . . . based on a physical count. The value of stamps on hand as well as the amount in all postage meters must be reported. Agencies must use either of two inventory methods: Periodic (physical) or Perpetual to value their year-end supplies, materials, and postage.

"Inventory detail with calculations, invoices, and other documentation used to compute the value of the inventory must be retained by the agency to be available for audit."

Commission officials informed us that they did not maintain and submit the Fiscal Year 2005 Annual Inventory Listing of Materials and Supplies to the Comptroller's Office.

The City is required to record the total amount of its inventory on its Statement of Net Assets in the Comptroller's *Comprehensive Annual Financial Report*. It is therefore necessary that all City agencies submit the value of their materials and supplies inventories by the end of each fiscal year.

During the exit conference, Commission officials provided us with an inventory listing. However, as of April 10, 2006, they had not submitted it to the Comptroller's Office for inclusion in the Comptroller's *Comprehensive Annual Financial Report*.

Recommendation

8. Commission officials should maintain an inventory listing of materials and supplies and should submit an Annual Inventory Listing of Materials and Supplies to the Comptroller's Office, as required by the Comptroller's "Fiscal Year-End Closing Instructions."

Commission Response: "The list is maintained and will be submitted in a timely fashion to the Comptroller's Office."

Lack of Bank Reconciliations

The Commission has not performed the required bank reconciliations for Fiscal Year 2005.

According to Comptroller's Directive #11, "Cash Accountability and Control," an agency is required to prepare monthly bank reconciliations and keep them on file. The Directive states that "monthly bank reconciliations must be maintained with cancelled checks and bank statements subject to audit." The Directive also states that "unreconciled differences between the bank balance and the book balance must be resolved within three months after receipt of the bank statement."

Monthly bank reconciliations should be conducted to ensure that all cash receipts and disbursements are accounted for. Inaccurate bank reconciliations can result in lost funds that are undetected, as well as in the misstatements in other financial documents.

During the exit conference, Commission officials provided us with the bank reconciliations for Fiscal Year 2005. However, they acknowledged that the reconciliations had not been prepared on time. In addition, none of the reconciliations were dated or signed by a preparer and reviewer.

Recommendation

9. Commission officials should ensure that bank reconciliations are performed on a monthly basis.

Commission Response: "The Commission agrees with this recommendation and has submitted both the reconciliations and the Accountability Report in a timely fashion in all previous years."

Accountability Reports Not Prepared and Submitted To the Comptroller's Office on a Timely Basis

The Commission is not preparing and submitting year-end Accountability Reports to the Comptroller's Bureau of Accountancy on a timely basis, as required by Comptroller's Directive #3.

All city agencies maintaining imprest funds are required to submit annual Accountability Reports prior to the close of the fiscal year. The Accountability Report permits the Comptroller's Office to determine whether all expenditures processed through the agency's imprest fund are recorded in the appropriate fiscal year and whether all unexpended funds are transferred to the new fiscal year.

According to Comptroller's Directive #3, "subsequent year replenishment vouchers submitted by the agency will not be processed by Bureau of Accountancy until it has reviewed and approved this Accountability Report."

During the exit conference, Commission officials provided us with the Fiscal Year 2005 year-end Accountability report. However, it was supposed to be submitted to the Bureau of Accountancy by June 30, 2005—seven months earlier.

Recommendation

10. Commission officials should ensure that they prepare and submit the year-end Accountability Reports to the Comptroller's Office on a timely basis.

Commission Response: "The Commission agrees with this recommendation and has submitted both the reconciliations and the Accountability Report in a timely fashion in all previous years."

Open Encumbered Purchase Orders

The Commission is not reviewing open encumbrances to ensure that they do not remain open for an excessive amount of time. Two purchase orders for facade restoration contracts, in the amounts of \$25,000 and \$27,500, were prepared in October and November 2004, and both remained open six months into Fiscal Year 2006. Neither of the purchase orders has been reviewed, closed out, or formally rolled over into this fiscal year.

The Comptroller's Fiscal Year Closing Instructions, states that:

"Encumbrances must be established early enough in the fiscal year to allow sufficient time for goods and services to be received by the June 30th cutoff date. . . . Each agency receives the E641 – Aged Open Agreements by Payee/Vendor FMS report. Agencies should review this report each month and at the year-end agencies should determine if the open items should be reduced or carried forward."

The Commission is not reviewing the E641, Aged Open Agreement by Payee/Vendor Report, at the end of each fiscal year to determine which open items should be reduced or carried forward into the next fiscal year, thereby freeing up its budget.

Recommendation

11. Commission officials should review, at the end of each fiscal year the E641, Aged Open Agreements by Payee/Vendor Report, that it receives from FMS to determine which, if any, open items should be reduced or carried forward into the next fiscal year.

Commission Response: "The Commission agrees with this recommendation."



The New York City Landmarks Preservation Commission

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Robert B. Tierney
Chair

May 1, 2006

John Graham
Deputy Comptroller, Audits, Accountancy & Contracts
Office of the Comptroller
1 Centre Street
New York, NY 10007

Dear Mr. Graham:

We appreciate the opportunity to respond to the April 17, 2006 draft audit of the Landmarks Preservation Commission's OTPS Controls.

We are pleased with your assessment that the Commission generally complied with applicable PPB Rules and Comptroller's Directives. We will apply your recommendations to our procedures in the future. Please find attached, as per your request, our responses to each of your recommendations, which include our Implementation Plan.

We thank your audit staff for their time and consideration during this process.

Sincerely,


Robert B. Tierney

cc: Ronda Wist
Margaret McMahon

LPC Response to Draft Audit

April 17, 2006

Response and Agency Implementation Plan

Response of the Landmarks Preservation Commission to findings and recommendations of the Comptroller's Draft Audit Report on the Controls of the Landmarks Preservation Commission over Its Other Than Personal Service Expenditures

Inadequate maintenance of required documents.

Recommendation 1. Commission officials should ensure that they maintain all the required documents in the procurement files to support purchases.

Response: The Commission will ensure the required documents are filed.

Excessive meal expenditures.

Recommendations 2-4. Commission officials should 2. Develop and adhere to written procedures regarding meal expenditures that conform to Comptroller's Directive #6;
3. Ensure that snacks are ordered for the number of individuals actually attending the meeting;
4. Ensure that proper supporting documents exist for meal expenditures.

Response: Each year Landmarks is supported by unsalaried professionals who serve as Commissioners and volunteer over 500 hours to the City for LPC business. When Commissioner meetings are held small meal orders (standard cookie platters) are placed the day before based on anticipated attendance. On occasion Commissioners may need to cancel all or part of their attendance at the last minute. Those cancellations are unforeseeable. The Commission will continue to monitor these expenses very closely.

Incorrect use of City Funds.

Recommendation 4. Commission officials should ensure that the expenditures incurred are for appropriate business needs as stated in Directive #6.

Response: One of the two cake purchases was included as part of the standard snacks for a regularly scheduled Commission meeting, which coincidentally occurred on a Commissioner's birthday.

LPC Response to Draft Audit
April 17, 2006

The expense which the audit describes as payment for a going away reception was in connection with a function held in the recently restored Governor's Room at City Hall, which was done with the Commission's advice and assistance for prominent members of the preservation community, including members of such organizations as the Municipal Arts Society and the Landmarks Conservancy. We respectfully disagree with the characterization of this event and believe it was an appropriate expenditure related to the Commission's mission. The event also provided an opportunity to recognize the Director of the Preservation Department, who had made a significant contribution to the city in his eighteen years of service. The Commission will continue to monitor its expenditures for compliance with Comptroller's Directive #6.

Improper use of miscellaneous vouchers.

Recommendation 5. Commission officials should ensure that the Commission uses miscellaneous payment vouchers only in the circumstances specified in Comptroller's Directive #24.

Response: The expenses paid by these vouchers were documented and otherwise allowable. We are no longer using this type of voucher.

Incorrect Use of Object Codes.

Recommendation 7. Commission officials should ensure purchases are charged to the correct object codes.

Response: The Commission agrees with this recommendation.

Annual Inventory List Not Maintained.

Recommendation 8: Commission officials should maintain an inventory listing of materials and supplies and should submit an Annual Inventory Listing of Materials and Supplies to the Comptroller's Office, as required by the Comptroller's "Fiscal Year-End Closing Instructions".

Response: The list is maintained and will be submitted in a timely fashion to the Comptroller's Office.

LPC Response to Draft Audit
April 17, 2006

Lack of Bank Reconciliations and Accountability Reports Not Prepared and Submitted to the Comptroller's Office on a Timely Basis.

Recommendation 9. Commission officials should ensure that bank reconciliations are performed on a monthly basis; and 10. Commission officials should ensure that they prepare and submit the year-end Accountability Reports to the Comptroller's Office on a timely basis.

Response: The Commission agrees with this recommendation and has submitted both the reconciliations and the Accountability Report in a timely fashion in all previous years.

Open Encumbered Purchase Vouchers.

Recommendation 11. Commission officials should review, at the end of each fiscal year, the E641, Aged Open Agreements by Payee/Vendor Report... to determine which, if any open items should be reduced or carried forward into the next fiscal year.

Response: The Commission agrees with this recommendation.