



City of New York

OFFICE OF THE COMPTROLLER

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COMPTROLLER



MANAGEMENT AUDIT

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Deputy Comptroller for Audit

Audit Report on the New York County
Public Administrator's Estate
Management Practices

MG17-057A

June 23, 2017

<http://comptroller.nyc.gov>



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

June 23, 2017

To the Residents of the City of New York:

My office has audited the New York County Public Administrator (NYCPA) to determine whether it ensured that it properly executed its fiduciary responsibilities, including whether it safeguarded estate assets, accurately reported estate revenues and expenses, and managed estate activities in accordance with Article 11 of the Surrogate's Court Procedure Act (SCPA) and other applicable State and City regulations. We audit entities such as this to increase accountability and ensure that their operations follow applicable laws and guidelines.

The audit found that the NYCPA does not have adequate controls to ensure that it properly executes its fiduciary responsibilities for safeguarding estate assets, reports estate revenues and expenses, and manages estate activities in accordance with Article 11 of the SCPA and applicable State and City rules. The NYCPA has not implemented sufficient controls over its physical case files, its centralized record-keeping system, and its inventory records to ensure their accessibility, accuracy, and integrity. The NYCPA was unable to readily locate 23 percent of the 40 sampled estates' files. Its accounting and case management system, CompuTrust, also did not accurately reflect the status of nearly one-fifth of the estates recorded therein and the NYCPA's inventory records did not accurately reflect the physical inventory of items in the NYCPA's custody for nearly half of the sampled estates. In addition, the NYCPA did not ensure that an independent audit was timely conducted and that bank account reconciliations and financial statements were adequately reviewed and signed.

The audit makes 11 recommendations to the NYCPA, including that the NYCPA should: formulate an efficient internal control system that allows NYCPA management to effectively identify and promptly account for all estates under its administration; establish controls to ensure that all of the required documents are maintained within each estate's files; ensure that all estate data in CompuTrust is continuously updated; strengthen controls for the recording, safeguarding, and disposition of estate assets; and ensure that sale proceeds, and all other receipts, are promptly credited to the estates in the CompuTrust accounting record and promptly deposited in the estates' accounts.

The results of the audit have been discussed with NYCPA officials, and their comments have been considered in preparing this report. Their complete written response 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,



Scott M. Stringer

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THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER MANAGEMENT AUDIT

Audit of the New York County Public Administrator's Estate Management Practices

MG17-057A

EXECUTIVE SUMMARY

The objective of this audit was to determine whether the Office of the New York County Public Administrator (NYCPA) has adequate controls to ensure that it properly executed its fiduciary responsibilities, including whether it safeguarded estate assets, accurately reported estate revenues and expenses, and managed estate activities in accordance with Article 11 of the Surrogate's Court Procedure Act (SCPA) and other applicable State and City regulations.

Public Administrators (PAs) are responsible for administering the estates of individuals who died intestate—without a will—and left property in the county, when no other individual, such as an eligible family member, is available and willing to administer the decedent's estate. The general functions of the PA are governed by Article 11 of the New York State Surrogate's Court Procedures Act (SCPA). In his or her official capacity, the PA makes funeral arrangements, collects debts, pays creditors, manages the decedents' assets, files tax returns on behalf of the estate, and searches for heirs. The NYCPA administers the estates of decedents in the County of New York. The NYCPA uses CompuTrust to administer the estates under its jurisdiction.¹ The Fiscal Year 2016 City Comptroller's Comprehensive Annual Financial Report (CAFR) reported that NYCPA collected \$995,570 in revenues on behalf of the City and received \$1,599,926 in appropriations from the City, consisting of \$673,493 for Personal Services (PS) and \$926,433 for Other Than Personal Services (OTPS) expenditures.

Audit Findings and Conclusions

The NYCPA does not have adequate controls to ensure that it properly executes its fiduciary responsibilities for safeguarding estate assets, reports estate revenues and expenses, and manages estate activities in accordance with Article 11 of the SCPA and applicable State and City rules. Specifically, we found that the NYCPA has not implemented sufficient controls over its physical case files, its centralized record-keeping system, and its inventory records to ensure their accessibility, accuracy, and integrity. The NYCPA was unable to readily locate 23 percent of the 40

¹ The CompuTrust Software System is a trust accounting and case management software system, developed by CompuTrust Software Corporation (www.computrustcorp.com) of Morgan Hill, C.A., to provide public guardians, administrators, fiduciaries and conservators with a secure environment for managing decedent estates' investments and assets, financial activity, correspondence, and caseworker assignment.

sampled estates' files we requested—the file for one estate was still missing as of the date this report was issued. We also found that CompuTrust did not accurately reflect the status of nearly one-fifth of the estates recorded therein. Further, we found that the NYCPA's inventory records did not accurately reflect the physical inventory of items in the NYCPA's custody for nearly half of the sampled estates.

The NYCPA also did not ensure: (1) that an independent CPA audit was timely conducted; and (2) that bank account reconciliations and financial statements were adequately reviewed and signed in accordance with New York City Comptroller's Directive #28.

Finally, we found specific deficiencies in the NYCPA's administration of 11 of 16 estates selected for an in-depth review, including: inadequate documentation of disbursements; estate files missing essential documents; and CompuTrust records that did not accurately reflect the status of several estates.

Audit Recommendations

To address the issues raised by this audit, we make 11 recommendations, including:

- The NYCPA should formulate an efficient internal control system that allows NYCPA management to effectively identify and promptly account for all estates under its administration.
- The NYCPA should ensure that it maintains a continuously-updated master list of all estates under its administration, including for each estate: the decedent's name; the NYCPA's designated estate number; and the account control number automatically generated by CompuTrust.
- The NYCPA should establish controls to ensure that all of the required documents are maintained within each estate's files and that supporting documents are obtained and maintained in those files when disbursements are made on behalf of an estate.
- The NYCPA should ensure that all estate data in CompuTrust is continuously updated so that it is always complete and accurate, and so that the status of each estate as reflected in CompuTrust is regularly and independently reviewed.
- The NYCPA should strengthen controls for the recording, safeguarding, and disposition of estate assets. The strengthened controls should include inventory procedures that require the clear identification of personal property found in decedents' residences and elsewhere, items moved from one location to another, and items sold.
- The NYCPA should ensure that sale proceeds, and all other receipts, are promptly credited to the estates in the CompuTrust accounting record and promptly deposited in the estates' accounts.

Agency Response

In its response, the NYCPA does not explicitly indicate its agreement or disagreement with a number of the audit's recommendations and instead addresses many of the specific findings of the audit. However, in doing so, it appears that the NYCPA generally agreed with 9 of the audit's 11 recommendations. The NYCPA did not address our recommendations that it maintain a master list of all estates under its administration and that it maintain a complete inventory list of

its office equipment. We note that many of the procedures that the NYCPA cites in its response that address audit findings were not in effect during the scope period of our audit. However, we are pleased to see that the NYCPA appears to be trying to address concerns raised by the audit.

AUDIT REPORT

Background

There are five PAs in the City of New York (City), each of whom serves one of the City's five counties under the overall direction of that county's Surrogate's Court.² Under the SCPA, each PA is responsible for administering the estates of individuals who died intestate—without a will—and left property in the county, when no other individual, such as an eligible family member, is available and willing to administer the decedent's estate.³ In his or her official capacity, the PA makes funeral arrangements, collects debts, pays creditors, manages the decedents' assets, files tax returns on behalf of the estate, and searches for heirs. The NYCPA administers the estates of decedents in the County of New York.

Article 11 of the SCPA requires the PAs to, among other things, deposit all commissions and costs received in the City treasury; make all books, records, and documents available to the City Comptroller for examination; file monthly account information on estates that have been closed; and have an annual audit of the office performed by a certified public accountant (CPA). Further, the PAs must comply with the requirements of the *Guidelines for the Operations of the Offices of the Public Administrators of New York State* (Board Guidelines).⁴ Those guidelines include rules for recordkeeping; management of cash, property, and other assets; maintenance of bank accounts; payment of fees; and the initial inspection of a decedent's premises. PAs are also required to comply with the reporting requirements set forth in New York City Comptroller's Directive #28.

The NYCPA receives notice of a decedent's estate in various ways, including from the police, from nursing homes, and through the office's own investigations. Each estate's assets must be preserved and a detailed accounting must be maintained. The NYCPA is required to submit a final accounting of all estate transactions to the Surrogate's Court when the NYCPA has completed the administration of an estate with a gross value of more than \$500. The final accounting details all income and expenses associated with the estate and provides a record of the estate's financial transactions to aid the Surrogate's Court in its oversight of the NYCPA. The NYCPA uses CompuTrust, a trust accounting and case management software system, to administer the estates under its jurisdiction.⁵

The City partially funds the operation of the NYCPA. In addition, the SCPA and Board Guidelines authorize the NYCPA to charge each estate an administrative fee of up to one percent of the gross value of that estate.⁶

The Fiscal Year 2016 City Comptroller's Comprehensive Annual Financial Report (CAFR), reported that the NYCPA collected \$995,570 in revenues on behalf of the City and received

² PAs are appointed by the Surrogate's Court Judge(s) of the county they serve and continue in office until removed.

³ Article 11 of the Surrogate's Court Procedure Act (SCPA) governs the appointment, removal, and official responsibilities of PAs in the counties of New York City. Eligibility of the decedent's family members and others to qualify for appointment as administrator of the estate is determined under §1001 and §§707-708.

⁴ Pursuant to Section 1128 of the NYSCPA, the Administrative Board for the Offices of the Public Administrators was created in 1993 to establish guidelines and rules for the operation of the PA offices.

⁵ The CompuTrust Software System is a trust accounting and case management software system, developed by CompuTrust Software Corporation (www.computrustcorp.com) of Morgan Hill, C.A., to provide public guardians, administrators, fiduciaries and conservators with a secure environment for managing decedent estates' investments and assets, financial activity, correspondence, and caseworker assignment.

⁶ SCPA § 1106.

\$1,599,926 in appropriations from the City, consisting of \$673,493 for Personal Services (PS) and \$926,433 for Other Than Personal Services (OTPS) expenditures.⁷

Objective

To determine whether the NYCPA has adequate controls to ensure that it properly executes its fiduciary responsibilities, including whether it safeguards estate assets, accurately reports estate revenues and expenses, and manages estate activities in accordance with Article 11 of the SCPA and other applicable State and City regulations, as discussed in the scope and methodology section of this report.

Scope and Methodology Statement

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. 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 was Calendar Year January 2015 to the present. 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 with the NYCPA

The matters covered in this report were discussed with NYCPA officials during and at the conclusion of this audit. A preliminary draft report was sent to the NYCPA and discussed at an exit conference held on May 23, 2017. We submitted a draft report to NYCPA with a request for comments. We received a written response from the NYCPA on June 16, 2017.

In its response, the NYCPA does not explicitly indicate its agreement or disagreement with a number of the audit's recommendations and instead addresses many of the specific audit findings. However, it appears that the NYCPA generally agreed with nine of the audit's 11 recommendations. The NYCPA did not address our recommendations that it maintain a master list of all estates under its administration and that it maintain a complete inventory list of its office equipment. We note that many of the procedures that the NYCPA cites in its response were not in effect during the scope period of our audit. However, we are pleased to see that the NYCPA appears to be trying to address concerns raised by the audit. The NYCPA also disagreed with our finding pertaining to its inventory practices. After carefully considering the NYCPA's arguments, we find no basis for altering our audit conclusions.

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

⁷ The period in reference is July 1, 2015 - June 30, 2016.

FINDINGS AND RECOMMENDATIONS

The NYCPA does not have adequate controls to ensure that it properly executes its fiduciary responsibilities for safeguarding estate assets, reports estate revenues and expenses, and manages estate activities in accordance with Article 11 of SCPA and applicable State and City rules. The audit revealed significant gaps in the NYCPA's compliance with the Board Guidelines and other applicable rules. Those gaps expose the office and the estates it manages to the risk that errors, omissions, and misappropriation of assets could occur and go undetected.

Specifically, we found that the NYCPA has not implemented sufficient controls over its physical case files, its centralized record-keeping system, and its inventory records to ensure their completeness, accuracy, and integrity. The NYCPA was unable to readily locate 23 percent of the 40 sampled estates' files we requested—the file for one estate was still missing as of the date this report was issued. The NYCPA's centralized estate-recordkeeping and accounting system, CompuTrust, did not accurately reflect the status of nearly one-fifth of the estates recorded therein. Further, we found that the NYCPA's inventory records did not accurately reflect the physical inventory of items in the NYCPA's custody for nearly half of the sampled estates.

In addition, we found that the NYCPA did not ensure that an independent CPA audit was timely conducted, as required by SCPA §1109. The NYCPA also failed to ensure that bank account reconciliations and financial statements were adequately reviewed and signed in accordance with New York City Comptroller's Directive #28.

Finally, we found specific deficiencies in the NYCPA's administration of 11 of 16 estates selected for an in-depth review, including inadequately documented disbursements, estate files that were missing essential documents, and CompuTrust records that did not accurately reflect the status of several estates. (See Appendix for a breakdown of our analysis.)

The details of these findings are discussed in the following sections of this report.

Mismanagement of Case Files

Our review of 40 sampled files revealed that the NYCPA does not adequately track the location of the physical case files or ensure that required documents are consistently maintained within them. According to the Board Guidelines,

the PA shall maintain a file ["the estate file"] for each estate containing all documents relating thereto, including but not limited to pleadings, tax returns, correspondence, financial statements, investigator's reports, police vouchers, appraisals, insurance documents, receipts, invoices, and proof of payment of estate disbursements. The estate file shall be maintained after administration is complete in accordance with all state, local, and/or administrative requirements regarding records retention.

When the NYCPA receives a new estate, it is assigned to a case manager, who is responsible for creating the physical case file for the estate. The particular records required for the estate's administration can vary based on several factors, such as the type of estate, its status, any relevant court decisions regarding the estate, and the specific actions required of the NYCPA. Although the case manager is primarily responsible for maintaining the physical case file, the file may be sent to the NYCPA's attorneys, who work from an office located outside of the NYCPA's

office.⁸ Files for closed estates are maintained either in the PA's storage room or, if the estates were received prior to 2003, in an off-site warehouse.⁹ In the event that the PA receives additional funds for closed estates, the estates are reopened and are then considered active for the purpose of processing those funds.

We found that the NYCPA does not have an accurate and updated record of each estate file's current location, including a tracking system for when the files are removed and returned. As a result, the NYCPA was not able to readily locate 9 (23 percent) of the 40 files we requested, for estates with a total combined value of \$945,683 as of December 5, 2016.¹⁰ Specifically, it took the NYCPA 5 to 37 days to locate 7 of the files and nearly four months to provide an eighth file.¹¹ As of the issuance of this report, the NYCPA has still not been able to locate the ninth file, and reported that it is stored in the warehouse and not easily accessible. Although the NYCPA's case on that estate was initially closed in December 1998, it was reopened four days later, and activities, including payments and distributions against the estate, have been ongoing since that time. According to the Board Guidelines, the NYCPA is required to maintain an estate file for 10 years from the date the administration was completed.

To determine whether the NYCPA's estate case files contained all of the required documents, we randomly selected 16 estates that, as of December 5, 2016, had a total value of \$1,270,935, and conducted a detailed review of those estates' files. The NYCPA was unable to locate one of those 16 estates' files, as described above. For the remaining 15 sampled estates, our review revealed that required documentation was missing from 3 (20 percent) of the sampled estate files. The breakdown of the documents missing is shown in Table I below.

⁸ Aside from NYCPA staff moving a file to offsite storage, the NYCPA's attorneys (who are appointed by the New York County Surrogate) are the only individuals who remove case files from the NYCPA's office.

⁹ Files of the estates for which administration was completed are moved to the storage room located directly below the NYCPA's Office.

¹⁰ We requested a sample of 25 files on December 6, 2016 to test the reliability of the data in CompuTrust and an additional sample of 16 files on February 22, 2017 for in-depth examination as part of our review of the NYCPA's procedures for administering estates. By chance, one estate belonged to both sets of samples, so we excluded it from the set of 25 files reviewed for data integrity purposes and retained it in the set of 16 files for in-depth testing. As a result, we report our findings on 40 sampled files.

¹¹ The NYCPA did not create a physical file due to unique circumstances of one case— the PA's administration consisted solely of responding to an order from the court to release the decedent's premises to the nursing home where the decedent had been residing; the documents were scanned into the network folder, from which we obtained copies.

Table I
Summary of Documents Missing
from Estate Files

Document Name	# of Estate Files that Require the Document	# of Estate Files that Did Not Contain the Required Documents	Percentage
Death Certificate	8	1	13%
Letters of Administration or §1115 Certificate	8	1	13%
Investigators Report	4	1	25%
Attempt to locate family and/or heirs	7	1	14%
Documentation Pertaining to Tax ID	5	2	40%
Real-estate transaction contract	3	1	33%
Inventory Records	6	2	33%
Sale of Property Records	3	1	33%
Copy of Tax Return	3	2	67%

The NYCPA is also required to maintain the supporting evidence for disbursements from each estate. It made 368 disbursements totaling \$1,181,376 on behalf of 11 of the 16 sampled estates. Our review of the case files revealed that supporting documentation for those disbursements was adequate in 6 of the 11 estates and incomplete in the remaining 5 estates.¹² Of the 368 disbursements made from all 11 estates, 158 (43 percent), encompassing \$251,688 (21 percent) of the total amount disbursed, were not adequately supported. Without adequate supporting documentation, the NYCPA is unable to ensure that the payments charged to the estates it administers are accurate and legitimate.¹³

Recommendations

1. The NYCPA should formulate an efficient internal control system that allows NYCPA management to effectively identify and promptly account for all estates under its administration.

NYCPA Response: In its response, NYCPA appears to agree with this recommendation, listing several protocols it employs to track estate files when they are removed from filed locations, including the placement of a card in the filing location of the file removed; a File Location Log Form submitted to the File Manager from the recipient of the file; and entry of information from the File Location Log Form into a centralized case management system.

¹² As of December 5, 2016, the total value for the five estates was \$1,262,385.

¹³ NYCPA officials stated that they have implemented new safeguards to ensure that files are tracked when reviewed by NYCPA staff or when removed from the office and that supporting documents for disbursements are scanned. However, those procedures had not been implemented during our audit scope period. Consequently, we were unable to test their adequacy or effectiveness. The missing files and lack of supporting documents we identified in this audit pertained to estates that were administered prior to the new procedures taking effect.

Auditor Comment: The protocols listed by the NYCPA were not in effect during the scope of our audit. Nevertheless, we are pleased that the NYCPA has agreed to strengthen its controls over estate files.

2. The NYCPA should ensure that it maintains a continuously-updated master list of all estates under its administration, including for each estate: the decedent's name; the NYCPA's designated estate number; and the account control number automatically generated by CompuTrust.

NYCPA Response: The NYCPA did not address this recommendation.

3. NYCPA management should enforce the required use of its sign-out log for estate files that are removed from its premises.

NYCPA Response: The NYCPA appears to agree with this recommendation, stating that “the estate file number, estate name, date signed out, and the name of the recipient are written into the Office Log Book.”

Auditor Comment: This control was not in effect during our audit scope.

4. The NYCPA should establish controls to ensure that all of the required documents are maintained within each estates' files and that supporting documents are obtained and maintained in those files when disbursements are made on behalf of an estate.

NYCPA Response: The NYCPA appears to agree with this recommendation, and identifies multiple controls it has instituted to ensure that required documents are maintained within each estate, including a checklist provided to the File Managers and the scanning of documents and transfer of related copies into estate folders.

With regards to ensuring that supporting documents for disbursements are maintained within estate files, NYCPA officials stated that “While it is possible that vouchers and supporting documentation have been misplaced from the file, there are no circumstances in which a disbursement was made from an estate without adequate supporting documents. . . .”

Auditor Comment: NYCPA officials acknowledge that it is possible that vouchers and supporting documents can be misplaced, as we found during the course of our audit. In such instances, the NYCPA does not have sufficient assurance that all disbursements are properly documented.

Computerized Estate Records Are Not Consistently Updated to Reflect the Estates' Actual Status

Our review of more than 4,000 estate files in the NYCPA's centralized case management system, CompuTrust, revealed that the records are not consistently updated to reflect the estates' current status. More than 600 of the estates—nearly 15 percent—had been received more than a year prior to our review but were listed as “unassigned – course of action not known.” Inadequate

updating of the computerized case management system diminishes its value as a tool to enable the NYCPA to monitor and manage its significant caseload.

The Board Guidelines require the NYCPA's office to maintain a centralized case management system that tracks and records the progress of each estate's administration and reflects its current status. All estate activity is supposed to be recorded promptly in the case management system to enable the PA to monitor any unusual delays in the administration of an estate.

Within CompuTrust's recordkeeping template for each estate are fields that can be used to enter certain status codes that may reflect, variously, the value of the estate's assets or the estate's origin, procedural posture, or the existence of certain court orders. Status codes can provide a quick indication of the work performed or still needed to be performed on an estate. As detailed in Table II below, we noted that NYCPA's CompuTrust database has a total of 12 codes to classify the estate and/or reflect the work performed on active estates.

Table II
CompuTrust Status Codes for
Active Estates

Status Code	Status Code Description
1	Estate with no assets
2	Estate with gross assets of \$.01-\$249.99
3	Estate with gross assets of \$250-\$499.99
4	Estate with gross assets of \$500-\$29,999.99
5	Letters of Administration issued to NYCPA
6	Unassigned – course of action unknown
7	Reopened estate with less than \$10,000
8	Reopened estate with more than \$10,000
9	Court ordered search of safe deposit box
10	Court ordered search of an apartment
11	Case received through a court citation
12	Letters of Trusteeship issued to NYCPA

Our review of the estate records in CompuTrust revealed that NYCPA management does not ensure that those records are continuously updated to reflect relevant events and the actual status of the estate. We reviewed the data that had been entered into CompuTrust as of December 5, 2016, for 4,208 estates and found that the records for 704 (17 percent) of them had the following facial deficiencies:¹⁴

- 617 estates that the NYCPA had received more than a year prior to our review remained “unassigned – course of action unknown” according to CompuTrust, including one estate that had been administered by the NYCPA for over 20 years. We noted that 23 of those reportedly-unassigned estates had entries reflecting closing dates—an indication of

¹⁴ Due to the limited nature of our tests, which only identified facial anomalies in the data contained in CompuTrust, additional deficiencies could exist in the CompuTrust records. However, we did not compare the information in CompuTrust to the information in the estate files. *Auditor's conclusion

activity and a status inconsistent with the designation “Unassigned – course of action unknown.”

- 60 estates had a “date received” entry that preceded the decedent’s date of death.
- 18 estates had no status codes.
- 9 closed estates were missing closing dates.

We also noted that the CompuTrust status codes entered by the NYCPA may not accurately reflect an estate’s current status. For example, we found that the status reported for three of the 16 estate files we reviewed in-depth showed only that Letters of Administration had been issued at various dates between 2008 and 2012.¹⁵ As of the date of our review in April 2017, the NYCPA had not updated the status codes for any of those three estates notwithstanding the fact that all three had had their final accountings completed. Similarly, for other estates where CompuTrust reflects that Letters of Administration had been issued, there is no assurance that the status codes entered into CompuTrust accurately reflect the current status of the estates. As a result, it is not possible for the NYCPA to determine by reviewing CompuTrust whether an estate’s unchanged status indicates a period of inactivity or simply that the status has not been updated. That ambiguity limits the value of the NYCPA’s present CompuTrust system—as currently programmed—as a case management tool.

NYCPA Response: “During the seven-month asset collection period, information on an estate file is constantly added into Computrust. The auditors highlighted the status code on Computrust, but did not clarify that the status code is only one of many components on the Client Profile Inquiry screen that is used to provide information and the status of the estate file. While acknowledging status codes should be updated more often, a review of all the information in the Client Profile Inquiry screen ordinarily leaves no ambiguity as to the current status of an estate.”

Auditor Comment: The NYCPA’s claim that a review of all the information in the Client Profile Inquiry screen would leave no ambiguity regarding the updated status of an estate is not accurate. However, our in-depth review for three estate files, showed that the Client Profile Inquiry Screens did not reflect update information – information was not current and/or was missing.

Recommendations

5. The NYCPA should ensure that all estate data in CompuTrust is continuously updated so that it is always complete and accurate, and so that the status of each estate as reflected in CompuTrust is regularly and independently reviewed.

NYCPA Response: NYCPA appears to agree with this recommendation, stating that “To ensure that the status codes are updated by the File Managers, a verification system has been implemented. . . . Each File Manager must update the status code on Computrust immediately upon receiving either funds for the estate or information from a court order or trustee. To verify that the status code was updated, the File Managers are provided with a checklist that requires the systematic checking of the status code.”

Auditor Comment: This process was not in effect during our audit scope.

¹⁵ Those Letters of Administration authorized the NYCPA to act as the estate administrator for each of these three estates.

6. The NYCPA should ensure that sale proceeds, and all other receipts, are promptly credited to the estates in the CompuTrust accounting record and promptly deposited in the estate's accounts.

NYCPA Response: “[P]roceeds from auction sales are recorded into Computrust. The one instance cited in the report of a delay in recording was an aberration due to the high volume of activity following the auction. All the sales information for the auction has been successfully uploaded into Computrust. We are also cross training other PANY staff members on the auction data entry menu on Computrust in order to continue to improve the efficiency of the office.”

Inadequate Inventory Records

The NYCPA does not ensure that inventory records are sufficiently detailed or adequately updated and recorded. The Board Guidelines require investigators to “thoroughly search each residence and . . . make a complete and detailed inventory of its contents.”

However, our review of the NYCPA's inventory records revealed that the office's investigators did not consistently provide adequate detail, including the type and quantity of items found, when recording the estates' assets found in decedents' residences and elsewhere. We were unable to match the physical assets for 16 (46 percent) of 35 sampled estates with the NYCPA's corresponding inventory records.¹⁶ For 9 of those estates, the description of the inventory was too vague to permit an adequate comparison. For example, for one estate, the search form completed by investigators simply identified jewelry as “costume jewelry,” with no indication of the types or numbers of items, such as rings, bracelets, or other items. For six estates, no inventory records whatsoever were found in the files—notwithstanding the fact that we found inventory items belonging to those estates. For the remaining estate, items found in storage were not reflected on the inventory list. Without detailed, accurate inventories of decedents' personal property, the NYCPA has no assurance that estate property is completely and accurately accounted for and properly distributed or sold.

NYCPA Response: “Jewelry is usually found in various conditions (tangled, knotted, etc.) and china and other commercial items could be voluminous. The PANY Investigators often face the arduous task of separating pieces of jewelry from each other prior to photographing them. The investigators always safeguard the jewelry in the presence of a witness, photograph it and transport it for storage to the PANY safes after the apartment search is concluded. The jewelry is later matched with the corresponding pictures and inventory list when it is being appraised by the licensed appraiser.”

Auditor Comment: Despite the existence of these safeguards, we were unable to match all the physical assets for 16 of the 35 estates sampled, which indicates a need for improved controls.

We also found a gap in the NYCPA's recording of certain items of personal property (e.g., china, small collectibles, paintings, and books) that are moved from a decedent's residence to the NYCPA's warehouse. On the day they are moved from a residence to NYCPA storage, such

¹⁶ The inventory records consisted of a Search Form, a Personal Inventory, an Investigator's Report, and a Police Property Voucher.

items are placed into bulk packages, such as moving cartons. However, during our observation of one move we saw that the NYCPA's investigators did not itemize the contents of the cartons, but merely listed the number of cartons in the NYCPA's inventory log for the estate.

NYCPA Response: "Given the size and scope of the numerous moves, and in recognition of the fact that the commercial value of the items is generally minimal, it would not be economically feasible to have each plate, saucer, piece of flatware, etc. counted and inventoried while movers are being paid by the hour to pack and then move the items. It would also significantly increase the time involved with each move and cause a delay in the inspection and the removal of the items of commercial value from the apartments of other estates. [A]fter the close of the audit period, we implemented additional procedures, which involve taking pictures of the moving cartons, placing a number on each moving carton and completing a form that contains a general description of the contents of each carton. The carton number is noted on the inventory sheet and a copy of the form is attached to each moving carton and to the inventory sheet."

Auditor Comment: As indicated above, during our audit scope period, the NYCPA's practice with regards to recording personal property lacked sufficient detail to allow for the identification of specific items. While we did not recommend elaborate measures to be taken in recognition of the complex issues faced by the NYCPA, we did conclude that some form of increased mitigating controls was necessary to protect the estate's assets. Despite the NYCPA's arguments regarding the feasibility for additional measures, by implementing the corrective action outlined above, it is clear that the NYCPA recognizes that need for mitigating controls.

Incomplete inventory records impair the NYCPA's ability to properly safeguard and account for estate assets. The effect of this inadequate asset tracking is compounded by other recordkeeping lapses. For example, on April 19, 2017, we asked to view the stored inventory of personal property for one estate, which consisted entirely of jewelry. The Deputy PA was initially unaware that the items had been sold because the sale had not been recorded in the estate's CompuTrust record despite the fact that it had taken place in January 2017, three months earlier. The Board Guidelines expressly require that "[a]ll estate activity shall be recorded promptly in the case management system . . . [which] shall provide an accounting system to record and summarize all receipts and disbursements for each estate . . . [and] [a]ll payments by purchasers of personal property shall be promptly deposited in the estate account." Inadequate inventory records and delays in recording sales proceeds due to the estates increase the assets' vulnerability to loss and misappropriation.

Recommendation

7. The NYCPA should strengthen controls for the recording, safeguarding, and disposition of estate assets. The strengthened controls should include inventory procedures that require the clear identification of personal property found in decedents' residences and elsewhere, items moved from one location to another, and items sold.

NYCPA Response: "[A]fter the close of the audit period, we implemented additional procedures, which involve taking pictures of the moving cartons, placing a number on each moving carton and completing a form that contains a general description of the contents of each carton. The carton number is

noted on the inventory sheet and a copy of the form is attached to each moving carton and to the inventory sheet.”

Inadequate Reporting Practices

The NYCPA did not ensure that an audit by an independent CPA was timely conducted, as required by SCPA §1109. That rule requires that:

Each public administrator shall conduct annually an audit of his office by an independent certified public accountant. . . . The audit shall be conducted in compliance with generally accepted government audit standards, and shall include a review of the performance of the office with respect to the guidelines and uniform fee schedules established by the [Board Guidelines]. The costs of such audit and report shall be included annually in the budget of the City of New York.

To implement that statutory mandate, New York City Comptroller’s Directive #28 requires that the annual audit report be submitted to the Comptroller no later than nine months after the close of the PA’s fiscal year.

The NYCPA ends its accounting cycle on December 31st of each year, meaning that the audits are due no later than September 30th of the subsequent year. We reviewed the Independent Auditor’s Report and the Audited Financial Statements for three consecutive years: 2011, 2012, and 2013 and found that all were completed at least 2 years late. The details for each year are as follows:

- Fiscal Year 2011 - report was due September 30, 2012 but was not issued until October 24, 2014 (2 years and 10 month late)
- Fiscal Year 2012 - report was due September 30, 2013 but was not issued until April 25, 2016 (3 years and 4 months late)
- Fiscal year 2013 - report was due September 30, 2014 but was not issued until April 25, 2016 (2 years and 4 months late)

As of April 27, 2017, the annual audits had not been completed for 2014 and 2015.

The purpose of annual audits is to assess, among other things, the accuracy of records, compliance with accounting methods, and the soundness of financial practices and internal controls. Consequently, failure to ensure timely audits hinders external oversight and transparency and may further impair the NYCPA’s ability to identify, assess and correct material misstatements and to diminish the likelihood of misappropriation.

Recommendation

8. The NYCPA should ensure that statutorily-required audits by a qualified independent CPA are performed on a timely basis and that prior outstanding audits are immediately completed.

NYCPA Response: “The 2014 and 2015 Independent Audit is estimated to be completed by July 2017. The 2016 Independent Audit will follow at which time we will have our independent audits up to date. An audit for a subsequent year cannot be completed until the prior year’s audit has been concluded.”

Inadequate Oversight of Financial Transactions and Records

Bank Reconciliations Are Not Reviewed

New York City Comptroller's Directive #11 states that "Bank reconciliations must be performed, signed, and dated by the preparer. . . . Supervisors must initial or sign and date the bank reconciliations not only as evidence to indicate that the reconciliation has been reviewed, but also indicating they have verified the accuracy and completeness of the data presented." Our review of 48 bank reconciliations performed by the NYCPA for 19 bank accounts found that 46 of them were not properly signed off and approved.¹⁷ Specifically, 36 reconciliations were not signed off by a reviewer and 10 reconciliations were not signed by either a preparer or a reviewer.

Bank reconciliations are an essential control and aid an organization in assessing the accuracy of its accounting records. The absence of supervisory reviews of bank reconciliations increases the risk that errors could be made or funds could be misappropriated and remain undetected for an extended period of time.

Estate Bank Accounts Are Not Adequately Insured

The Board Guidelines state that "[e]state funds held in FDIC-insured accounts shall not exceed the amount insured by FDIC." Further the Board Guidelines advise that the PA should either split the funds between different banks once the FDIC threshold is reached or enter into an agreement with the bank to collateralize the funds.

As of the day of our review, the standard insurance amount was \$250,000 per depositor, per insured bank, for each account ownership category. However, for 14 estates, the NYCPA maintained bank accounts with balances over \$250,000 and did not ensure that they were collateralized as required by the Board Guidelines. As of November 30, 2016, the uncollateralized balances of 14 estate accounts at one bank exceeded the FDIC insured maximum by a combined total amount of \$8,263,558, leaving that sum at risk in the event of the bank's insolvency.¹⁸

After the exit conference, the NYCPA provided us with a list of the accounts in the bank, including the 14 estates mentioned above, indicating that the balances were below the \$250,000 FDIC-insured threshold.

Recommendations

9. The NYCPA should ensure that bank reconciliations are reviewed and approved on a regular basis and that reconciliations are signed by all required parties.

NYCPA Response: "Lapses in bank reconciliations during the audit period were identified well in advance of the audit report. Procedures had already been put into place to prevent future lapses. Bank reconciliations are now reviewed and signed off by the preparer, a reviewer and a supervisor."

¹⁷ 26 reconciliations were performed between January 1, 2015 and June 30, 2016 for checking and money market accounts; 11 reconciliations for money market accounts for the quarter ending on September 30, 2016; 7 reconciliations for checking accounts for November 2016; and 4 reconciliations for a checking account from January 1, 2016 through April 30, 2016.

¹⁸ The NYCPA maintains checking accounts in six banks.

10. The NYCPA should ensure that estate funds maintained in FDIC-insured accounts do not exceed the amounts in excess of FDIC limits. If that is not feasible, the NYCPA should ensure that it enters into an agreement with the bank to collateralize the funds.

NYCPA Response: “As reported in the Audit Report, all accounts in the one bank mentioned in the audit report are now below the FDIC \$250,000.00 threshold. All other banks currently used for estate checking accounts by the Public Administrator are collateralized.”

Other Matter

The NYCPA Does Not Have a Complete Inventory List

The NYCPA does not maintain a complete list of office equipment and furniture. Section 8 of the DOI *Standards for Inventory Control and Management* (DOI Standards) requires that inventory “records must be complete and adequately preserved . . . [and] present a complete picture of the ‘who, what, when and why’ of a transaction from initiation through completion. Records demonstrating less than this are not adequate.”

However, we found that the NYCPA’s inventory list of office and computer equipment did not include the copier, desks, tables, chairs, or various other items of furniture and equipment in the NYCPA’s office or warehouse. Further, the information that was on the list did not include the serial numbers, prices, dates of purchase, or locations of the items, as required by Section 28 of the DOI Standards.¹⁹

The lack of a complete and accurate list of computers, computer related equipment, and furniture, impairs the NYCPA’s ability to readily and systematically assess the value of its assets, replace equipment as it reaches the end of its useful life, and maintain a secure environment to discourage theft and waste and ensure that any instances of theft or loss are promptly detected and reported.

Recommendation

11. The NYCPA should create a complete inventory list of its office equipment and ensure that it is regularly updated.

NYCPA Response: The NYCPA did not address this recommendation in its response.

¹⁹ The NYCPA’s inventory listed certain computer equipment by quantity, specifically the number of desktop computers, servers, and a few other peripherals constituting and connected to the NYCPA’s network.

DETAILED SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. 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 was the period covering Calendar Year 2015 to the present.

To obtain an understanding of the procedures and regulations with which the NYCPA must comply, we reviewed Article 11 of the SCPA; Rules and Regulations of the State of NY, Title 2. Section 72.1 Report of Open Estates Administered by PA's of the Counties within NYC; *Guidelines for the Operations of the Offices of the Public Administrators of New York State*; Comptroller's Directives 1, "Principals of Internal Control;" Comptroller's Directives 11, "Cash Accountability and Controls;" Comptroller's Directives 28, "Reporting Requirements for Public Administrators;" Comptroller's Directive # 29, "Tax Reporting;" and the NYPCA's General Administration Procedures. These sources formed the basis of our audit criteria. In addition, we reviewed two previous audit reports for NYCPA, both entitled, *Audit Report on the Financial and Operating Practices of the New York County Public Administrator's Office*, (FN12-076A) issued June 29, 2012, and (MD07-062A) June 27, 2007, respectively.

To obtain an understanding of the NYCPA's practices relating to the handling of estates, we interviewed the NYCPA intake officer, accountant, bookkeeper, case manager, investigator, warehouse manager, and office manager. We also interviewed the PA, Deputy PA, attorneys appointed to work with the NYCPA and a representative from CompuTrust Software Corp., the company that supplies the NYCPA's accounting system, used to manage the estate accounts and financial transactions. In addition, we conducted observations of a residence search, warehouse delivery, and two estate auctions.

The NYCPA provided us with a copy of data extracted from its CompuTrust database on October 24, 2016 identifying a population of 4,401 estate cases and related information (i.e., estate case number, case received date, estate name, decedent's date of death, case status, and value of estate) under its jurisdiction that were active at some point between July 1, 2014 and June 30, 2016. To evaluate the completeness and reliability for audit testing purposes, we reviewed the query used by NYCPA personnel to extract the data. In addition, we ran various sorts of the data. For example, we determined whether there were: (1) consistently formatted case numbers without duplication;²⁰ (2) gaps in the sequential numbering of the case numbers; and (3) missing, invalid, and/or inconsistent dates.

To assess the reliability of the data for audit testing purposes, to ensure that the data reflected information appearing in the live system, and to ensure that hard-copy files were maintained for each record, we selected a sample of 25 estates from the population of 4,401 estate cases that were active in some part of the scope period of July 1, 2014 through June 30, 2016, according to the dataset. We requested and reviewed the hard-copy case files for each of the 25 sampled files

²⁰ CompuTrust assigns a six digit number in consecutive order to each newly entered estate. The first two digits represent the two digit year in which the estate is entered into CompuTrust.

and traced certain information reflected in the files (noted above) to corresponding data elements recorded in the live CompuTrust system and to the data copy. In addition, we selected 50 hard-copy case files and compared various information elements contained therein to the CompuTrust data and the live system.

For testing purposes, to ensure that we had the most recent information pertaining to the administration of the estates, we obtained a second, updated copy of CompuTrust estate data or estates that were administered at any time between January 1, 2015 and as of December 5, 2016. We identified duplicates and accounts that were not associated with an estate and established a population of 4,208 estates with a total value of \$120,912,250.²¹ We tested the reliability of the information recorded in CompuTrust by determining the number of estates for the status codes, “unassigned,” date the case was received preceding the date of death, closed status but with missing close date, date of closure but an active status code other than “reopened,” and status code indicating “letter” and three years passing since the date the case was received.

To assess the NYCPA’s compliance with procedures for handling estate accounts, we selected, based on the dollar amounts of the estates, a stratified random sample of 16 of the 4,208 estates administered as of December 5, 2016. We selected five estates with gross value less than \$500, five with gross value of \$500 or more but less than \$30,000, five estates with gross value of \$30,000 or more, and one estate for which the estate administration was started by the NYCPA but it was passed to another administrator during the administration process. As of December 5, 2016, the total value of our sample of estates was \$1,270,935.

For each of the estates in our sample, we determined whether the NYCPA maintained a hard-copy file and if so, whether the file contained the required documentation, such as: report of death, death certificate, investigator’s report, inventory documentation, evidence of search for relatives and assets, real estate transactions documentation, letters of administration, police property voucher, etc.²² We also verified whether all disbursements were allowed and properly supported. In addition, we determined whether the estates in our sample were reported on the annual and semi-annual reports issued to the Surrogate’s Court, as required by SCPA guidelines.

We selected a sample of 35 estates to test the NYCPA’s controls over its inventory items collected on behalf of decedents. Our 35 estates included: (1) 15 of the initial sample of 25 estates; (2) 15 estates that we judgmentally selected the inventory maintained at the warehouse, vault and PA’s safe; and (3) five estates from the sample of 16 estates selected for compliance with Board guidelines. For the sample of 35 estates, we compared the inventory records to the inventory on hand.

We were provided a list of 19 bank accounts, which the NYCPA represented as being all of the accounts maintained by the office. We determined whether bank reconciliations were conducted for all 19 accounts, if the reconciliations were signed by the preparer and if there was an indication that a supervisory review was performed for each one. We determined whether annual audits of the NYCPA were conducted by an independent CPA for Calendar Years 2011 through 2016, in accordance with the SCPA. We also assessed whether the financial statements issued for Calendar Years 2011, 2012, and 2013 properly reflected the NYCPA’s financial standing. In

²¹ Originally there were 4255 accounts. 33 estates had more than one CompuTrust account. We treated all CompuTrust accounts for one estate as one sample. Thus, we left the 33 original accounts in the population and excluded 37 duplicate accounts by merging them with the corresponding original account. Also, 10 accounts were related to activities other than estates: sale account, conduit account, suspense account, etc. We excluded those accounts from the population.

²² Not all estates require the same documentation, thus our assessment pertains to the documents that were required for the type and status of each estate.

addition, we verified whether the NYCPA maintains an inventory record of the agency's furniture and equipment assets, and reviewed the list to determine whether all purchased items were included.

The results of our tests of the adequacy of the NYCPA's estate management practices, while not statistically projected to the population of estates administered by the NYCPA, provided a reasonable basis to assess and support our conclusions about the adequacy of the NYCPA's estate management practices.

APPENDIX

Summary of Conditions Found With Sampled Estate Files

	Date Estate Was Received by NYCPA	Value of Estate As of December 5, 2016	Status Per CompuTrust	Estate Type	Source	Physical File Missing	Status in Compu Trust Does Not Reflect Actual Status of Case	Essential Documents Missing from File	Estate Assets Not Collected Timely	Disbursement Not Documented	Proceeds from Sale of Property Are Not Recorded	Estate Inventory Not Documented	Total Number of Issues Per Estate
1	7/30/2014	\$48,909.81	Letters Issues	\$30,000+	Report of Death; Friend		X			X			2
2	1/16/2004	\$4,598.02	Closed-Tax Reserve Create	\$500+	Citation			X					1
3	8/8/2016	\$3,951.64	Estate with funds of \$500-\$29,999.99	\$500+	Report of Death; Nursing Home			X					1
4	9/24/2015	\$0.00	Unassigned	<\$500	Guardianship		X						1
5	1/7/2016	\$0.00	Closed \$0.01-\$249.99	<\$500	Police Property								0
6	5/20/2010	\$0.00	Closed small estate funds HRA claims paid	\$500+	Report of Death; Nursing Home								0
7	1/28/2015	\$0.00	Closed small estate funds HRA claims paid	\$500+	Report of Death; Nursing Home								0
8	2/25/2015	\$0.00	Unassigned	<\$500	Guardianship		X						1
9	3/5/2014	\$329,115.45	Letters Issues	\$30,000+	Citation		X	X		X		X	4
10	2/29/2016	\$0.00	Closed Unassigned	<\$500	Police Property		X						1
11	6/9/2016	\$0.00	Closed \$0.01-\$249.99	<\$500	Police Property								0
12	4/24/2012	\$1,961.27	Unassigned	\$500+	Report of Death; Sister		X		X	X	X		4
13	12/26/2007	\$879,738.84	Letters Issues	\$30,000+	Citation		X			X		X	3
14	11/22/2016	\$0.00	Closed \$500-\$29,999.99	\$500+	Report of Death; Nursing Home								0
15	4/22/2015	\$0.00	Unassigned	<\$500	Guardianship		X						1
16	Unknown*	\$2,660.04	Reopened < \$30,000	\$500+	Unknown – Missing File	X				X			2

*NYCPA does know when exactly this estate was received. The files is missing. The CompuTrust shows the first financial transaction on July 11, 1995.

** \$30,000 + estates with assets of \$30,000; Letters of Administration must be issued by the Surrogate's Court
 \$500 + estates with assets of \$500 or more but less than \$30,000; Letters of Administration are not required but final accounting must be filed with the Surrogate's Court prior to the closure of the estate
 <\$500 estates with assets of less than \$500; Letters of Administration are not required nor final accounting must be filed with the Surrogate's Court; NYCPA closes out these estates without the Court's review.



Public Administrator

County of New York

DAHLIA DAMAS, *Commissioner*
Public Administrator

JOY A. THOMPSON, *Deputy Commissioner*
Deputy Public Administrator

June 15, 2017

BY HAND

Marjorie Landa, Deputy Comptroller
City of New York
1 Centre Street, Room 1100
New York, New York 10007

**Re: Audit Report on New York County Public Administrator's Estate Management
Practices MG17-057A**

Dear Ms. Landa:

Please see the attached copy of the Response to the Recommendations to the June 2, 2017
Audit Report.

Please contact me if you have any questions.

Sincerely,

Dahlia Damas
Dahlia Damas, Public Administrator

**RESPONSES OF THE NEW YORK COUNTY PUBLIC ADMINISTRATOR
TO AUDITOR'S RECOMMENDATIONS**

**RESPONSE TO THE RECOMMENDATION CONCERNING THE MISMANAGEMENT
OF CASE FILES**

Access to the thousands of case files maintained by this office is limited to the staff of PANY and the estate attorneys. The attorneys also maintain their own separate case file. Estate files are accessed throughout the administration of the estate. In some instances, an estate file that was closed will be reopened to collect and distribute newly discovered assets to heirs of the estate. The one file that the office was unable to locate concerns the estate of a decedent who died in 1989, where additional assets were received much later as a result of the settlement of a class action lawsuit. The procedures for tracking case files are vastly different, and improved, from the procedures in place in the 1980s and 1990s. PANY currently has the following protocols to track any estate file that is removed from its filed location:

- The estate file number, estate name, date signed out, and the name of the recipient are written into the Office Log Book.
- The placement of a card in the filing location of the file removed that includes the estate file number, estate name, date signed out and the name of the recipient of the file.
- A completed File Location Log Form submitted to the File Manager from the recipient of the file that includes the estate file number, estate name, date signed out and the name of the recipient of the file.
- The entry of information from the File Location Log Form into a centralized case management system known as Computrust by the File Manager.
- File Managers will also receive a completed File Location Form from the recipient of the estate file when files are returned to their filed location. They will then update the location of the file on Computrust.

The File Managers verify that all required documents are contained in the estate file folder and scanned into an estate file database. In order to ensure that each estate folder includes all the required documents the following guidelines are followed:

- A checklist is provided to the File Managers to verify that the Report of Death, Death Certificate, Letters of Administration, Apartment Search Report, Inventory records, and all other required documents are located in the estate file.
- Documents are scanned and transferred into the estate folder located in the database filing system.
- After the seven-month collection process and prior to submitting the estate file to estate attorneys, all estate files are reviewed to verify that all required documents are scanned and transferred into the database filing system and are included in the estate file.
- All vouchers, disbursement request and checks are scanned and transferred into a PA Check database filing system.

In response to the summary of documents stated to be missing as reflected in the audit report, it is important to note that not all estate files have Tax ID numbers. Only estate files that require the collection of assets are provided with a Tax ID number.

The scanning of required documents to the estate file database has reduced the misplacement of documents in the physical case file. Many of the sampled estate files selected by the auditors predated the implementation of the office's scanning procedures.

With regard to the allegation that disbursements lacked adequate supporting documentation, it must be noted that no check is signed without a completed disbursement voucher, which sets forth the purpose of the check and documentation in support of the amount requested. While it is possible that vouchers and supporting documentation have been misplaced from the file, there are no circumstances in which a disbursement was made from an estate without adequate supporting documents. The scanning procedures, which were implemented after the date of the disbursements in some of the selected files, have significantly reduced the loss of such documents from estate files.

RESPONSE TO THE RECOMMENDATION CONCERNING THE UPDATING OF COMPUTERIZED ESTATE RECORDS

The centralized case management system used by PANY is known as Computrust. All activity is monitored for each estate file on Computrust. Detailed information is entered into Computrust from the initial request to open an estate file, throughout the seven-month asset collection process and beyond. Information can be readily retrieved and easily viewed in the Client Profile Inquiry screen, including the date the file was received, the PA file number (account number), the name of the estate, the last known address of the decedent, the date of decedent's birth, the date of decedent's death, the attorney assigned to the file, the court file number, the date Letters of Administration were issued, banking information, asset collection date, the makeup date (compilation of data), the accounting date, the case type, the apartment search date, the apartment release date, the status code of the file, and any pertinent comments on the estate file.

During the seven-month asset collection period, information on an estate file is constantly added into Computrust. The auditors highlighted the status code on Computrust, but did not clarify that the status code is only one of many components on the Client Profile Inquiry screen that is used to provide information and the status of the estate file. While acknowledging status codes should be updated more often, a review of all the information in the Client Profile Inquiry screen ordinarily leaves no ambiguity as to the current status of an estate.

To ensure that the status codes are updated by the File Managers, a verification system has been implemented. The status code is usually updated from unassigned to a code that corresponds to the status of the estate. Status codes may take several months to change depending on information or monetary funds received from banks, brokerages, estate property sales, etc. The status code may change accordingly to reflect the value of the estate, the issuance of a court order, a trusteeship, or the reopening of an estate. Each File Manager must update the status code on Computrust immediately upon receiving either funds for the estate or information from a court order or trustee. To verify that the status code was updated, the File Managers are provided with a checklist that requires the systematic checking of the status code.

**RESPONSE TO THE RECOMMENDATION CONCERNING INADEQUATE
INVENTORY RECORDS**

There have been effective guidelines implemented to ensure the documentation and safeguarding of estate property. Throughout the various steps of photographing, inventorying, documenting, transporting and storing estate property retrieved from apartment searches, written procedural guidelines followed by the PANY Investigators help ensure the proper inventory of estate property. While we welcome any observation made by the auditors, we want to emphasize and describe the magnitude of the task at hand, and the efficiency of the PANY Investigators who perform a thorough search of a decedent's apartment that not only provides sufficient details but also safeguards the property. The PANY Investigators adhere to the following guidelines:

- Prior to entering a decedent's apartment a witness is obtained.
- Each apartment search involves two PANY Investigators and the witness.
- The witness is present during the entire search of the apartment.
- The witness follows the investigators to each room at all times.
- Pictures of the entire apartment are taken during the initial search.
- All jewelry, cash, bonds, financial papers and important documents that provide information on the decedent are documented, listed, photographed, safeguarded before they are removed from the apartment and taken to the PANY office by Investigators. After the completion of the apartment search, jewelry, cash and bonds are stored in safes and documents are submitted to the File Managers.
- All cash is documented, counted, laid out neatly, photographed and tallied on the inventory list in the presence of a witness.
- Jewelry and collectible coins retrieved from the decedent's apartment are documented, photographed, listed on the inventory list, and later appraised by a licensed appraiser.
- Keys to the apartment are secured and official seals are placed on the apartment windows and doors. Door locks are changed if there are larger items of commercial value remaining in the apartment that are later moved to the PANY warehouse.
- Two different appraisers are enlisted to ensure that items of commercial value are properly identified and listed prior to their removal from the apartment to the PANY warehouse.
- The PANY Investigators document and list items in general categories before they are removed from the apartment.
- Licensed and insured movers are employed to pack larger and more voluminous items of commercial value into appropriate moving boxes (dish cartons, painting boxes, etc.). The trucks used to transport the items from the apartment to the PANY warehouse are followed at all times by the PANY Investigators.
- The PANY Warehouse Manager signs, checks and confirms all items listed on the inventory list prior to storing the items in the PANY warehouse.

The audit report did not provide a thorough description of the comprehensive task of handling the jewelry, china, furniture and various other items found during apartment searches.

Jewelry is usually found in various conditions (tangled, knotted, etc.) and china and other commercial items could be voluminous. The PANY Investigators often face the arduous task of separating pieces of jewelry from each other prior to photographing them. The investigators always safeguard the jewelry in the presence of a witness, photograph it and transport it for storage to the PANY safes after the apartment search is concluded. The jewelry is later matched with the corresponding pictures and inventory list when it is being appraised by the licensed appraiser.

China, silverware, figurines, paintings and other items that are identified as being of commercial value by an appraiser are photographed. Unless an item is of significant value, the appraiser does not inventory each appraised item, since the cost of the appraiser for preparing such an inventory could well exceed the commercial value of the items being appraised. At the time items are moved, they are carefully packed into appropriate moving cartons to be transported to the PANY warehouse. The number of moving cartons is listed on the inventory list. Given the size and scope of the numerous moves, and in recognition of the fact that the commercial value of the items is generally minimal, it would not be economically feasible to have each plate, saucer, piece of flatware, etc. counted and inventoried while movers are being paid by the hour to pack and then move the items. It would also significantly increase the time involved with each move and cause a delay in the inspection and the removal of the items of commercial value from the apartments of other estates. Such a delay would cause those impacted estates to incur additional rental or maintenance charges (which could exceed \$1,000 or more per month), since the apartments cannot be released to the landlord, or readied for sale, until the move out is complete.

After the close of the audit period, we implemented additional procedures, which involve taking pictures of the moving cartons, placing a number on each moving carton and completing a form that contains a general description of the contents of each carton. The carton number is noted on the inventory sheet and a copy of the form is attached to each moving carton and to the inventory sheet. As was previously noted, the inventory list and investigator's report are scanned to the estate file.

Proceeds from auction sales are recorded into Computrust. The one instance cited in the report of a delay in recording was an aberration due to the high volume of activity following the auction. All the sales information for the auction has been successfully recorded into Computrust. We are also cross training other PANY staff members on the auction data entry menu on Computrust in order to continue to improve the efficiency of the office.

RESPONSE TO THE RECOMMENDATION CONCERNING INADEQUATE REPORTING PRACTICES

The 2014 and 2015 Independent Audit is estimated to be completed by July 2017. The 2016 Independent Audit will follow at which time we will have our independent audits up to date. An audit for a subsequent year cannot be completed until the prior year's audit has been concluded.

**RESPONSE TO THE RECOMMENDATION CONCERNING INADEQUATE
OVERSIGHT OF FINANCIAL TRANSACTIONS AND RECORDS**

Lapses in bank reconciliations during the audit period were identified well in advance of the audit report. Procedures had already been put into place to prevent future lapses. Bank reconciliations are now reviewed and signed off by the preparer, a reviewer and a supervisor.

**RESPONSE TO THE RECOMMENDATION CONCERNING ESTATE BANK
ACCOUNTS NOT ADEQUATELY INSURED**

As reported in the Audit Report, all accounts in the one bank mentioned in the audit report are now below the FDIC \$250,000.00 threshold. All other banks currently used for estate checking accounts by the Public Administrator are collateralized.