

AUDIT REPORT



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

Audit Report on the Financial and Operating Practices of the Manhattan Borough President's Office

MJ04-133A

June 29, 2004



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 Manhattan Borough President's Office to determine whether the Office is complying with applicable City payroll, timekeeping, purchasing, and inventory procedures. The Manhattan Borough President is the elected executive official of the borough.

Our audit resulted in the findings and recommendations that are presented in this report. The findings and recommendations were discussed with City officials; their comments were considered in the preparation of this report.

Audits such as this provide a means of ensuring that City resources are used effectively, efficiently, and in the best interest of the public.

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 cursive script that reads 'William C. Thompson, Jr.'.

William C. Thompson, Jr.

WCT/fh

Report: MJ04-133A
Filed: June 29, 2004

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

**Audit Report on the
Financial and Operating Practices of the
Manhattan Borough President's Office**

MJ04-133A

AUDIT REPORT IN BRIEF

This audit determined whether the Manhattan Borough President's Office (Office) is complying with applicable payroll, timekeeping, purchasing, and inventory procedures, as set forth in the Office of Payroll Administration policies and procedures, the Procurement Policy Board Rules (PPB Rules), and the New York City Comptroller's *Internal Control and Accountability Directives* (Comptroller's Directives).

During Fiscal Year 2003, Personal Services (PS) expenditures for the Office amounted to \$3,427,924; Other Than Personal Services (OTPS) expenditures amounted to \$433,641. The Office employed 69 persons during the year.

Audit Findings and Conclusions

The Office generally adhered to the Comptroller's Directives, the PPB Rules, and the Office of Payroll Administration policies and procedures with respect to payroll, timekeeping, and purchasing. Our examination of the Office's PS and OTPS expenditures disclosed no instances in which moneys were improperly used.

However, there were instances in which the Office did not comply with certain provisions of Comptroller's Directives #3, #11, #23, and #25, and the City *Time and Leave Regulations* and Payroll Management System guidelines. In addition, the Office did not ensure that all employees' wages were within the salary ranges of their *Career and Salary Plan* titles. Finally, the Office did not have complete records for its computer inventory. We believe that the weaknesses found were generally minor, with the exception of those reported in the findings of lack of documentation with regard to discretionary grants and the incompleteness of computer inventory records. These findings were also reported in a 1998 audit of the Financial and Operating Practices of the Office. Nevertheless, these two findings, taken in context of the audit objectives and scope of work reviewed, do not detract from the audit's overall conclusion that the Office generally complied with applicable payroll, timekeeping, and purchasing procedures.

Audit Recommendations

We make nine recommendations to the Office, some of which are listed below. The Office should:

- Maintain proper documentation indicating that all approvals were obtained before disbursing discretionary grant funds and that the grantees were monitored for compliance with the terms of the grants.
- Ensure that all computer equipment is included on the inventory list and accurately identified as to serial number, inventory tag, and location.
- Ensure that someone who does not have any other imprest fund responsibilities prepares the imprest fund bank reconciliations and require that person to sign off on the reconciliations.
- Ensure that it uses miscellaneous payment vouchers for only allowable purposes as described in Comptroller's Directive #25.

INTRODUCTION

Background

The Manhattan Borough President, like the presidents of all five boroughs of New York City, is the elected executive official of the borough. It is her responsibility to: prepare and review budget proposals; recommend capital projects; hold public hearings on matters of public interest; consult the Mayor and the City Council on the preparation of the executive and capital budgets; review and recommend applications and proposals for the use, development, or improvement of land within the borough; provide technical assistance to the borough's community boards; monitor and make recommendations regarding the performance of contractual services in the borough; and propose legislation to be introduced in the City Council.

During Fiscal Year 2003, Personal Services (PS) expenditures for the Manhattan Borough President's Office (Office) amounted to \$3,427,924; Other Than Personal Services (OTPS) expenditures amounted to \$433,641. The Office employed 69 persons during the year.

Objective

This audit was conducted to determine whether the Manhattan Borough President's Office is complying with applicable payroll, timekeeping, purchasing, and inventory procedures, as set forth in the Office of Payroll Administration policies and procedures, the Procurement Policy Board Rules, and the New York City Comptroller's *Internal Control and Accountability Directives*.

Scope and Methodology

This audit covered the period July 2002 through May 2004.

To obtain a general understanding of the procedures and regulations, with which the Office is required to comply, we reviewed the following documents:

- Chapter 3, §3-08, *Small Purchases*, of the PPB Rules
- *City Leave Regulations for Employees Who Are Under the Career and Salary Plan*
- *City Leave Regulations for Managerial Employees*
- The Borough President's Office *Manual of Operations and Office Procedures*
- Comptroller's Directive #1, *Internal Controls Overview*
- Comptroller's Directive #3, *Procedures for the Administration of Imprest Funds*
- Comptroller's Directive #10, *Charges to the Capital Budget*
- Comptroller's Directive #11, *Cash Accountability and Control*
- Comptroller's Directive #13, *Payroll Procedures*
- Comptroller's Directive #14, *Special Audit Procedures for Management Lump Sum Payments in Lieu of Terminal Leave Payments*
- Comptroller's Directive #23, *Monitoring and Accountability of Discretionary Funds Provided to Borough Presidents*
- Comptroller's Directive #24, *Purchasing Function—Internal Controls*

- Comptroller's Directive #25, *Guidelines for the Use and Submission of Miscellaneous Vouchers*

To obtain an understanding of Office payroll, timekeeping, and purchasing procedures and to determine how the Office safeguards its physical assets, we interviewed members of the Office.

To determine whether employee leave balances recorded on the Payroll Management System (PMS) were accurate, we reviewed attendance records for the randomly selected month of May 2003 for a random sample of 25 employees—12 managerial and 13 non-managerial employees—of the 69 persons employed during the year. We examined the attendance records for completeness, accuracy, and evidence of supervisory review. We compared attendance records to the PMS *Employee Leave Details Report* (PEILR721) to ensure that all reportable timekeeping transactions were accurately posted on PMS.

For the sampled employees, we reviewed compensatory time transactions and annual leave use for evidence of proper approvals and posting. We determined whether compensatory time was used within 120 days as required and, if not, whether it was transferred to sick leave. We also determined whether medical documentation, whenever required by City regulations, existed to appropriately support sick leave use.

We determined whether the Office followed City regulations with regard to employees who have excess annual leave balances (i.e., more than two years' worth of accruals).

To determine whether employees were bona fide, we observed the employee identification cards of employees picking up their paychecks and pay stubs for the pay date March 26, 2004. For those employees on the pay register that we did not observe, we reviewed the personnel records to determine whether there was evidence (i.e., proof of residency forms, I-9 citizenship forms, and W4s) of their employment. We also reviewed the payroll reconciliation worksheet and reports for the aforementioned pay date to determine whether the Office reconciles and certifies the payroll.

With regard to managerial employees who separated from City service, we determined whether separation payments made were properly calculated. We also determined whether these employees were appropriately removed from the City's payroll.

To determine whether employees are receiving salaries that are within the salary ranges of their civil service titles, we compared the salaries of all Office employees to the minimum and maximum salary amounts of their civil service titles included in the City Collective Bargaining Agreement.

We reviewed salary history reports of Office employees covering the period July 1, 2002 through February 22, 2004 and determined that no one received pay increases during the audit period. Accordingly, there was no need to test whether pay increases were accurately calculated and properly authorized.

We reviewed documentation related to a random sample of 20 of the 63 discretionary grants issued by the Office during Fiscal Year 2003 to determine whether the Office complied with Comptroller's Directive #23, *Monitoring and Accountability of Discretionary Funds Provided to Borough Presidents*. (The 20 sampled grants were valued at \$50,300; the 63 grants were valued at \$160,700.)

To ensure that the Office complied with §3-08 of the PPB Rules and Comptroller's Directive #24, *Purchasing Function—Internal Controls*, when making purchases, we examined 25 payment vouchers—totaling \$36,940.64—for the purchase of goods of the 139 payment vouchers (PVs) issued by the office in Fiscal Year 2003. (Of the remaining 114, 63 were related to discretionary grants, 46 were service contract payments, four were intracity transfers, and one was below our materiality threshold of \$100 for PVs.) We examined each voucher for the requisite approvals and authorizations, and for evidence that the transactions were for proper business purposes. We also reviewed the supporting documentation (i.e., vendor invoices) for each voucher. We determined whether each voucher was correctly coded and no duplicate vouchers were processed.

We randomly selected and examined a sample of 30 of the 159 miscellaneous vouchers (MVs) issued by the Office in Fiscal Year 2003 to determine whether the Office used them for allowable purposes as identified in Comptroller's Directive #25, *Guidelines for the Use and Submission of Miscellaneous Vouchers*. The 30 MVs included 13 of 15 that were for \$2,000 or more; the remaining 17 were randomly selected without regard for their amount but that were at or above our materiality threshold of \$250 for MVs.

To determine whether the Office was in compliance with Imprest Fund procedures specified in Comptroller's Directive #3, *Procedures for the Administration of Imprest Funds*, we examined payment vouchers for all 12 imprest fund payments—totaling \$1,250.63—made in one month (we randomly selected June 2003). We also examined the related canceled checks for authorized signatures and amounts; a specified payee (as opposed to “bearer” or “cash”); the eligibility of the expenditure; an endorsement; and a “void after 90 days” inscription on each check. We also determined whether the Office performed monthly bank reconciliations, and whether imprest fund expenditures exceeded the allowable amounts for a particular month, vendor, or item.

We reviewed documentation related to the Office sale of City maps to determine whether the Office complied with Comptroller's Directive #11, *Cash Accountability and Control*.

To determine whether the Office maintained a complete inventory list, we randomly selected and examined equipment on hand at 29 of the 107 work station locations identified in the list. We also examined all laptop, scanner, jazz drive, projector, and printer locations, a total of 21 locations, on the inventory list. We determined whether (1) all items present were recorded on the agency's inventory list and (2) all items recorded on the inventory list were present at the stated locations. We also checked each piece of equipment for an affixed identification tag. We reviewed all of the Office's Fiscal Year 2003 purchase orders for computers and accessories, and traced the purchased items to the Office's inventory list.

We reviewed a previous audit of the Office that we conducted entitled, *Follow-up Audit Report on the Financial and Operating Practices of the Manhattan Borough President's Office, July 1, 1996 to May 4, 1998* (FP98-169F, issued June 18, 1998), to determine whether any of the issues identified in that audit were still relevant. Those issues we determined to still be relevant are discussed in the appropriate sections of this report.

Because the results of our testing appear to be conclusive and provide us a reasonable basis to satisfy the audit's objective, we decided not to expand our samples so as to project sample results to their respective populations.

* * * * *

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. This audit was performed in accordance with the audit responsibilities of the City 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 Office officials during and at the conclusion of this audit. A preliminary draft report was sent to the Office and was discussed at an exit conference on May 25, 2004. On June 1, 2004, we submitted a draft report to Office officials with a request for comments. We received a written response from Office officials on June 10, 2004. In their response, Office officials agreed with the audit's recommendations. The full text of the Office response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

The Manhattan Borough President's Office generally adhered to the Comptroller's Directives, the PPB Rules, and the Office of Payroll Administration policies and procedures with respect to payroll, timekeeping, and purchasing. Our examination of the Office's PS and OTPS expenditures disclosed no instances in which moneys were improperly used. Moreover, the Office:

- complied with Comptroller's Directive #3 regarding imprest fund purchases in regard to the following areas: purchases did not exceed \$250; invoices to support payments were maintained; checks had the required authorized signatures and designated specified payees; each check bore the inscription "void after 90 days"; and the account was accurately reconciled;
- ensured that all employees are bona fide;
- ensured that employees signed the required Form 319 when picking up their paychecks;
- accurately paid employees upon separation from City service;
- ensured that purchases were properly supported and the amounts paid to vendors were accurately calculated;
- generally did not permit employees to carry compensatory time beyond the 120-day limit; and
- ensured that employee leave use and accrual were accurately recorded.

However, there were instances in which the Office did not comply with certain provisions of Comptroller's Directives #3, #11, #23, and #25, and the City *Time and Leave Regulations* and Payroll Management System guidelines. In addition, the Office did not ensure that all employees' wages were within the salary ranges of their *Career and Salary Plan* titles. Finally, the Office did not have complete records for its computer inventory. We believe that the weaknesses found were generally minor, with the exception of those reported in the findings of lack of documentation with regard to discretionary grants and the incompleteness of computer inventory records. These findings were also reported in a 1998 audit of the Financial and Operating Practices of the Office. Nevertheless, these two findings, taken in context of the audit objectives and scope of work reviewed, do not detract from the audit's overall conclusion that the Office generally complied with applicable payroll, timekeeping, and purchasing procedures.

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

Lacking Documentation for Discretionary Grants

Our review of a sample of 20 discretionary grant files revealed that the Office did not maintain all of the documentation required by Comptroller's Directive #23. Section 4.1 of the directive states:

“Before authorization of payments to any organization or group, a written statement approved by the Borough President or designee which describes the purpose of the proposed grant must be prepared and kept on file.”

Additionally, § 4.2 states, “The Borough President must monitor grantee activities to insure that funds are properly expended for the intended purpose.”

According to Office officials, committees called “working groups” first review grant applications. The working groups decide whether to approve or deny the requests; if they approve a request, they also recommend an award amount. After a group reaches a decision, it prepares an evaluation sheet and forwards it to another committee who either agrees with or overrides the working group's recommendation. This committee's recommendation is then forwarded to the Borough President who has the final say. The Office sends letters to applicants letting them know whether or not their requests are approved. Applicants who are awarded grants are required to send an agreement invoice to the Borough President's Office. Once the Office receives the invoice, the Deputy Director of Policy and Budget prepares a requisition form, which is approved by her Director and the Chief of Staff, to process the grant payment to the grantee.

Our review of the files for the 20 sampled grants, valued at \$50,300, revealed that none contained documentation of the final committees' recommendations or the Borough President's approval. For one grant valued at \$1,000, the only documentation on file was the requisition form, which was completed and approved by the Chief of Staff to process the grant payment. For the remaining 19 grants, the files contained only the working groups' recommendations, the agreement invoices, and the requisition forms. In addition, for 18 of the 19 grants, the final grant amount differed from the amount that was recommended by the working groups; in two instances, grants were awarded even though the working groups denied the applications. According to the Chief of Staff, the Borough President was aware of and approved all grants issued. However, there was no documentation in the file to support this. This issue was also raised in a previous audit of the Office's financial and operating practices. Finally, documentation of how the money was used was in the files for only 13 of the 20 grants.

Recommendation

1. The Borough President's Office should maintain proper documentation indicating that all approvals were obtained before disbursing grant funds and that the grantees were monitored for compliance with the terms of the grants.

Office Response: “The Office will follow Directive #23/4.0 regarding payments to non-profit organizations. The Budget Director will review a checklist of all necessary

approvals with the Impress Fund Manager before a check is issued. The Budget Director will develop a system to monitor grantee activities to insure proper expenditure of grant funds.”

Incomplete Inventory Records

The Office did not maintain a complete inventory list of all its computer hardware. Our observations also revealed instances in which items were not found at the locations specified or items were found at locations but not reflected on the inventory list.

We compared a computer inventory list that we received on April 1, 2004, with the packing slips for purchases made in Fiscal Year 2003 and did not find all of the purchased items on the list. The Office subsequently provided another list on April 22, 2004. We randomly selected for testing 29 of the 107 work station locations identified on the inventory list; we also examined all laptop, scanner, jazz drive, projector, and printer locations, a total of 21 locations, on the inventory list. We determined whether (1) all items recorded on the inventory list were present at the locations; (2) each piece of equipment had an affixed identification tag; and (3) correct serial numbers were recorded for each item. In addition, we identified all items found at sampled locations, but that were not reflected on the inventory list.

In total, the Office listed 180 pieces of inventory for the 50 locations we reviewed. Our physical inspection revealed discrepancies for 43 pieces of computer equipment. Included in the 43 pieces of equipment were 12 printers (at 11 locations) that were not reflected on the inventory list. There were also seven items on the inventory list—one computer, one keyboard, one monitor, two mice, one set of computer speakers, and one printer—that we were not able to find. A previous audit of the Office’s financial and operating practices also reported that the Office did not employ proper controls over inventory. Table I below summarizes the results of our observations for this current audit.

Table I

Results of Computer Inventory Observations

Category	Number of Pieces of Inventory
Items listed on inventory list	180
Items found at locations specified on inventory list	154
Discrepancies:	
Items found, but at locations other than those specified on list	16
Items not found	7
Items found, but serial number incorrect	5
Items found that were not listed on inventory list	15
Total no. of items with discrepancies	43

Recommendation

2. The Office should ensure that all computer equipment is included on the inventory list and accurately identified as to serial number, inventory tag and location.

Office Response: “The Office will ensure with proper supervision that all equipment is tagged accurately according to inventory number and location.”

Sick Leave Abuse

Five of the 25 sampled Office employees had more than five undocumented sick leave instances within a “sick leave period” and were allowed to use undocumented sick leave during the next “sick leave period,” contrary to requirements of the *Time and Leave Regulations*. These regulations require that an employee who uses undocumented sick leave more than five times during a sick leave period—either January to June or July to December—be placed on sick leave restriction, meaning that a person is not able to use sick leave without medical documentation. Two of these five employees each had six instances of undocumented sick leave during the period July 1, 2002, through December 31, 2002, and also in the next “sick leave period” January 1, 2003, through June 30, 2003. This weakness was also reported in a previous audit of the Office’s financial and operating practices.

One tool available to the Office in monitoring possible sick leave abuse is the Citywide Human Resources Management System (CHRMS) Data Warehouse, which can be accessed by City agencies through CityNet.¹ CHRMS provides payroll and timekeeping information and can

¹ The City of New York’s network, used for mainframe access, e-mail services, video, and other data transmissions among City agencies.

be used to generate reports identifying employees who are approaching or exceed the number of undocumented sick leave instances within a sick leave period.

Recommendation

The Office should:

3. Institute a method to identify employees who reach the limit on the allowable number of undocumented sick leave days within a sick leave period. (In developing its methodology, the Office could use CHRMS as a tool.)

Office Response: “The Office will institute the City-Net program (CHRMS) as a tool to monitor employee’s sick leave progress.”

4. Require employees to provide medical documentation when they exceed the allowable number of undocumented sick leave days.

Office Response: “The Timekeeper [will] make certain to require employees who exceed the allowable number of undocumented sick leave to provide the necessary medical documentation.”

Converting Excessive Annual Leave Balances to Sick Leave

According to the Office of Labor Relations’ Citywide Agreement, City employees are not allowed to accumulate more than twice their yearly accrual of annual leave unless proper authorization from their agency head is obtained. For managerial employees, the cutoff date is December 31; for non-managerial employees, the cutoff date is April 30. Leave regulations state that any time that has not been approved for carry-over is to be converted to sick leave and added to an employee’s sick leave balance.

The Office took steps to ensure that employees used their excess annual leave. For employees who had accumulated more than twice their yearly annual leave accrual, the Office required the employees to submit a plan within four months of the year’s end to use up the excess leave during the year. The Office converts to the employee’s sick leave balance any excess leave for which a plan was not submitted within the four-month period. However, the Office did not use the correct cutoff date for some employees. For two non-managerial employees, the Office used December 31 as the cutoff date. As a result, the Office inappropriately converted six hours of one employee’s annual leave to his sick leave balance, and allowed another employee to carry over 50 hours and 20 minutes in excess annual leave (he earned this amount from January 1, 2003, through April 30, 2003, his true cutoff date).

Recommendation

5. The Office should ensure that it uses the correct cutoff date when determining whether employees have excessive annual leave balances. If written authorization is

not obtained from the Borough President, then all unauthorized excess annual leave should be transferred to the employees' sick leave balances.

Office Response: "The Office will be certain to use the correct cutoff dates when converting excess time. All unauthorized excess leave balances will be transferred to the employees' sick leave balance."

Segregation of Duties Regarding Imprest Fund Bank Reconciliation

Comptroller's Directive #3, § 4.0, "Segregation of Duties," states that the imprest fund functions must be adequately segregated. Where practicable, the functions of authorizing purchases, disbursing petty cash, signing checks, signing vouchers, record keeping, and bank reconciliation should be assigned to different individuals. The reconciler is responsible for reconciling bank statements on a monthly basis; he or she must receive the unopened monthly bank statement and cancelled checks directly from the bank. The reconciler must not have any other imprest fund responsibilities.

According to the Fiscal Year 2003 Accountability Report that the Office submitted to the Comptroller's Bureau of Accountancy, the Office payroll manager generally prepares the bank reconciliations. However, we found no evidence that this was done; the payroll manager did not sign off on any of the reconciliations, and all of them were written by the imprest fund manager. (According to the imprest fund manager, the payroll manager performed the reconciliations, but the imprest fund manager copied them to make the reconciliations more legible.) The reconciliations were reviewed and signed by the Director of Administration.

Recommendation

The Office should:

6. Ensure that someone who does not have any other imprest fund responsibilities prepares the imprest fund bank reconciliations and require that person to sign off on the reconciliations.

Office Response: "The Office has selected an individual that does not have any other impress fund responsibilities to reconcile and sign off on all bank reconciliations."

Employees Not Paid within the Salary Ranges of Their Titles

The annual salaries of 12 of the 51 employees of the Borough President's Office as of April 22, 2004, did not fall within the pay rates for their *Career and Salary Plan* titles. The salaries for six employees were below the minimum pay rates for their titles, while the salaries for another six employees were above the maximum pay rates for their titles. A previous audit of the Office's financial and operating practices also reported that employees were paid above the maximum allowable amounts for their titles. Tables II and III following list the employees whose current salaries were below the minimum and above the maximum pay rates for their titles, respectively.

Table II

Employees Paid Below the Minimum Salary of Their Titles

Employee	Title	Current Salary	Minimum Job Title Salary	Difference
1	Administrative Manager—Level 2	\$45,000	\$46,840	\$1,840
2	Administrative Manager—Level 3	\$40,000	\$51,974	\$11,974
3	Community Coordinator	\$35,052	\$41,780	\$6,728
4	Principal Administrative Associate—Level 1	\$35,000	\$36,365	\$1,365
5	Principal Administrative Associate—Level 1	\$36,255	\$36,365	\$110
6	Computer Associate Technician—Level 3	\$55,672	\$56,371	\$699

Table III

Employees Paid Above the Maximum Salary of Their Titles

Employee	Title	Current Salary	Maximum Job Title Salary	Difference
1	Assistant to the Borough President—Level 1	\$96,200	\$86,454	\$9,746
2	General Counsel—Level 1	\$92,560	\$86,454	\$6,106
3	Community Associate	\$44,948	\$42,839	\$2,109
4	Community Associate	\$46,800	\$42,839	\$3,961
5	Community Assistant—Level 1	\$31,353	\$28,331	\$3,022
6	Community Assistant—Level 1	\$34,116	\$28,331	\$5,785

The City *Career and Salary Plan* contains minimum and maximum pay rates for each job title. According to the *Career and Salary Plan*, “The purpose of this resolution is to provide fair and comparable pay for comparable work.” Therefore, the minimum and maximum pay rates are an integral part of the Plan. The Director of Administration stated that the Office uses the City PMS to determine the appropriate salary ranges. However, this system is not always current in regard to minimum and maximum pay rates. The Office should contact the Office of Labor Relations to obtain the most current salary ranges.

If there are no non-managerial titles within the employees’ salary ranges, then the employees should be transferred to appropriate managerial titles with salary ranges encompassing the employees’ salaries.

Recommendation

7. The Office should either transfer employees whose salaries currently are below or above the salary ranges for their titles into other titles that they qualify for and that have salary ranges that properly encompass their current pay levels, or adjust the employees' salaries so that they fall within the salary ranges for their titles.

Office Response: "The Office has made the necessary adjustments to ensure that all employees' title and salary range levels match accordingly."

Inappropriate Use of Miscellaneous Vouchers

Comptroller's Directive #25, § 2.3, states that miscellaneous vouchers "may be used only when estimated or actual future liability is not determinable and an Advice of Award, Purchase Order or Agency Encumbrance is not required or applicable." Some of the unallowable uses of MVs include monthly rent payable on a lease and purchases of supplies, equipment, materials, and services for which an Advice of Award or purchase order is applicable. The inappropriate use of MVs contributes to the distortion of City books of account by understating the City's outstanding obligations.

From our sample of 30 MVs used by the Office in Fiscal Year 2003, 24 of them, valued at \$68,159.31, were for unallowable purposes, such as to pay for traffic-pedestrian studies and to lease postage machines.

Recommendation

8. The Office should ensure that it uses miscellaneous payment vouchers for only allowable purposes as described in Comptroller's Directive #25.

Office Response: "The Office will make certain to comply with Comptroller's Directive #25 when making voucher payments."

Segregation of Duties over Map Sales

The Office sells maps that contain information concerning the borough's monuments, benchmarks, street alterations, and other topographical information. Office records indicate that the Office collected \$3,123 in map sales during Fiscal Year 2003.

Comptroller's Directive #1, *Internal Controls Overview*, states "to minimize the possibility of inefficiency, errors, and fraud, responsibility for a sequence of related operations should be divided among two or more persons." It further states that if segregation of duties is difficult, mitigating controls should be instituted; employees should be rotated from job to job whenever possible; and supervisors should be required to monitor work continually.

One person, a Policy Analyst, is responsible for all functions related to map sales. She photocopies the maps, maintains the log of map sales, collects the money, issues the receipts, and safeguards the money until the imprest fund manager collects it for deposit into the Office's bank account. We found no evidence that her supervisor continually monitors the sales. This weakness was also reported in a previous audit of the Office's financial and operating practices.

Recommendation

9. Establish and implement procedures to segregate the cash collection and receipt functions from the record-keeping functions for maps sold. If segregating the responsibilities is not feasible, compensating controls (e.g., employee rotation, supervisory monitoring) should be implemented.

Office Response: "The Office has segregated the cash collection and receipt functions from the record-keeping functions for maps sold."



THE CITY OF NEW YORK
OFFICE OF THE PRESIDENT
BOROUGH OF MANHATTAN

C. VIRGINIA FIELDS
BOROUGH PRESIDENT
June 10, 2004

Mr. Greg Brooks
Deputy Comptroller
Policy, Audits, Accountancy & Contracts
Office of the City Comptroller
1 Centre Street
New York, N. Y. 10007

Re: DRAFT:
Audit on the Financial and Operating
Practices of the Manhattan Borough President's Office

Audit No.: MJ04-133A

Dear Mr. Brooks:

Thank you for the opportunity to review and comment on the above entitled draft report before its public release. Our response to each of the recommendations is attached.

We will continue to work to insure our agency's adherence to all Comptroller Directives, PPB Rules, and City regulations. If you have any questions regarding the attached, please contact Stephanie Mitchell, Director of Administration at 212-669-2375.

Thank you very much.

Sincerely,

A handwritten signature in black ink, appearing to read "Denise A. Outram", written over a white background.

Denise A. Outram
General Counsel

Page 1 of 3

MBPO's Response to the
Audit Report on the Financial
And Operating Practices of the
Manhattan Borough President's
Office

Audit No.: MJ04-133A

Recommendation 1: The Borough President's Office should maintain proper documentation indicating that all approvals were obtained before disbursing grant funds and that the grantees were monitored for compliance with the terms of the grants.

BP Response: The Office will follow Directive #23/4.0 regarding payments to non-profit organizations. The Budget Director will review a checklist of all necessary approvals with the Impress Fund Manager before a check is issued. The Budget Director will develop a system to monitor grantee activities to insure proper expenditure of grant funds.

Recommendation 2: The Office should ensure that all computer equipment is included on the inventory list and accurately identified as to serial number, inventory tag and location.

BP Response: The Office will ensure with proper supervision that all equipment is tagged accurately according to inventory number and location.

Recommendation 3: The Office should institute a method to identify employees who reach the limit on the allowable number of undocumented sick leave days within a sick leave period. (In developing its methodology, the Office could use CHRMS as a tool.)

BP Response: The office will institute the City-Net program (CHRMS) as a tool to monitor employee's sick leave progress.

Recommendation 4: Require employees to provide medical documentation when they exceed the allowable number of undocumented sick leave days.

BP Response: The Timekeeper make certain to require employees who exceed the allowable number of undocumented sick leave to provide the necessary medical documentation.

Recommendation 5: The Office should ensure that it uses the correct cutoff date when determining whether employees have excessive annual leave balances.

If written authorization is not obtained from the Borough President, then all unauthorized excess annual leave should be transferred to the employees' sick leave balances.

BP Response: The Office will be certain to use the correct cutoff dates when converting excess time. All unauthorized excess leave balances will be transferred to the employees' sick leave balance.

Recommendation 6: The Office should ensure that someone who does not have any other imprest fund responsibilities prepares the imprest fund bank reconciliations and require that person to sign off on the reconciliations.

BP Response: The office has selected an individual that does not have any other impress fund responsibilities to reconcile and sign off on all bank reconciliations.

Recommendation 7: The Office should either transfer employees whose salaries currently are below or above the salary ranges for their titles into titles that they qualify for and that have salary ranges that property encompass their current pay levels, or adjust the employees' salaries so that they fall within the salary ranges for their titles.

BP Response: The Office has made the necessary adjustments to ensure that all employees' title and salary range levels match accordingly.

Recommendation 8: The Office should ensure that it uses miscellaneous payment vouchers for only allowable purposes as described in Comptroller's Directive #25.

BP Response: The Office will make certain to comply with Comptroller's Directive #25 when making voucher payments.

Recommendation 9: Establish and implement procedures to segregate the cash collection and receipt functions from the record-keeping functions for maps sold. If segregating the responsibilities is not feasible, compensating controls (e.g. employee rotation, supervisory monitoring) should be implemented.

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BP Response: The Office has segregated the cash collection and receipt functions from the record-keeping functions for maps sold.