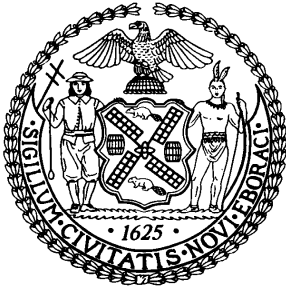


AUDIT REPORT



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

Audit Report on the Payroll, Timekeeping, and Purchasing Practices Of the Board of Correction

MG04-090A

April 7, 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 examined the Board of Correction's payroll, timekeeping, and purchasing practices. The audit covered Fiscal Year 2003.

The results of our audit, which are presented in this report, have been discussed with the Board of Correction officials, and their comments were considered in the preparation of this report.

Audits such as this provide a means of ensuring that the Board of Correction and other city agencies comply with applicable personnel, payroll, timekeeping, and small procurement policies and procedures.

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: **MG04-090A**
Filed: **April 7, 2004**

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

**Audit Report on the
Payroll, Timekeeping, and
Purchasing Practices of the Board of Correction**

MG04-090A

AUDIT IN BRIEF

This audit of the Board of Correction (BOC) determined whether the BOC complied with applicable personnel, payroll, timekeeping, and small procurement policies and procedures established by the agency, and those set forth in *Comptroller's Internal Control and Accountability Directives*, New York City leave regulations for managerial and non-managerial employees, and Procurement Policy Board Rules.

Audit Findings and Conclusions

The Board of Correction generally adhered to many of the requirements outlined in Comptroller's Directives #1, #3, #6, #13, and #24 as well as with many of the regulations of the New York City leave regulations for managerial and non-managerial employees. Furthermore, the audit determined that the BOC's physical assets (e.g., computers and fax machines) are adequately safeguarded and accurately reflected in its physical assets inventory records.

However, we found that the BOC does not have adequate oversight controls over timekeeping and purchasing activities, which has resulted in related deficiencies. Regarding timekeeping practices, the BOC did not have completed leave request forms to support 264 (57%) of the 460 total (annual and sick) leave occurrences during the months of July through December 2002, and June 2003. For the same period, it also incorrectly classified and charged 103.5 (65%) of the 159.25 total sick leave hours used by five employee, as "medically documented" when the hours should have been classified as "undocumented" sick leave. Also, the BOC did not have medical documentation, as required, from two employees who had more than five undocumented sick leave occurrences during a six-month period. Furthermore, in Fiscal Year 2003, the BOC allowed one employee to charge 75.5 hours to sick leave for the illness or disability of the family member—61.5 hours in excess of the allowed annual 14-hour limit for this type of leave.

Regarding purchasing practices, this audit revealed that the BOC did not cancel all of the voucher packages prepared in Fiscal Year 2003 by stamping them "vouchered" or "paid," resulting in the \$146.06 overpayment of an invoice. The audit also determined that the BOC processed employee

expense reimbursement requests, although the forms were missing the required employee and supervisory signatures.

Audit Recommendations

To address these issues, the audit made nine recommendations. Some of the major recommendations were that the BOC should:

- Implement oversight control procedures requiring that all timekeeping data and payment voucher packages be independently reviewed and verified by the Executive Director or other BOC staff member for correctness prior to the authorization to process the transactions.
- Ensure that all employees complete the appropriate leave authorization forms in accordance with Comptroller's Directive #13, §4.5, and that these forms remain on file.
- Ensure that all sick leave time charges (i.e., medically documented or undocumented sick leave) are correctly classified and reflected in employee records.
- Require and ensure that employees submit medical documentation (a doctor's note) when they use three or more consecutive days of sick leave or when they have more than five sick leave occurrences in a six-month period, in accordance with §3.0 b (2) of the New York City leave regulations for managerial and non-managerial employees.
- Require that all payment voucher packages, including all supporting documents (i.e., invoices, receiving slips, and purchase orders) are canceled and marked "vouchered," or "paid," to avoid duplicate payments. In addition, the payment voucher (or check) number, date of payment, and any other relevant information should be noted on the invoice or payment voucher.
- Ensure that all expense reimbursement request forms submitted by employees are appropriately signed by both the employee and a supervisor or other authorized BOC employee prior to authorizing the reimbursement.

BOC Response

The matters covered in this report were discussed with BOC officials during and at the conclusion of this audit. A preliminary draft report was sent to BOC officials and discussed at an exit conference held on February 24, 2004. On March 1, 2004, we submitted a draft report to BOC officials with a request for comments. We received a written response from BOC officials on March 18, 2004. However, in that response BOC officials failed to directly address the audit recommendations or to express whether they agreed or disagreed with the recommendations. Subsequently, on March 18, 2004, we contacted BOC officials and gave them the opportunity to revise their response to address the audit recommendations. We received BOC officials' revised response on March 23, 2004. BOC officials agreed with all nine of the audit recommendations, but stated that Recommendation #1 could not be implemented due to a lack of staffing resources.

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

INTRODUCTION

Background

Pursuant to Chapter 25, §626, of the New York City Charter, the Board of Correction (BOC) is empowered to evaluate the performance of the Department of Correction. The BOC promulgates minimum standards for the custody, correction, health and mental health care, treatment, supervision, and discipline of all inmates held in City correctional facilities, and conducts inspections of these facilities to ensure compliance. The BOC also reviews grievances by inmates and employees of the Department of Correction. It may conduct hearings, studies, or investigations of any matter within the jurisdiction of the Department of Correction and report its findings and recommendations to appropriate authorities, such as the Mayor, the City Council, and the Commissioner of the Department of Correction.

The BOC's modified budget for Fiscal Year 2003 totaled \$839,288: Personal Services (PS) totaled \$799,449 covering the salaries of up to 16 full-time employees; and Other Than Personal Services (OTPS) totaled \$39,839 for the purchase of supplies, materials, and services necessary to support agency operations.

Objectives

The objective of this audit was to determine whether the BOC complied with applicable personnel, payroll, timekeeping, and small procurement policies and procedures established by the agency, and those set forth in *Comptroller's Internal Control and Accountability Directives*, New York City leave regulations for managerial and non-managerial employees, and Procurement Policy Board Rules.

Scope and Methodology

The audit scope period was Fiscal Year 2003. To achieve our audit objective, we interviewed the BOC Executive Director and Deputy Executive Director to gain an understanding of the internal controls and processes over payroll, timekeeping, and purchasing. We also obtained and reviewed the BOC policies and procedures regarding payroll, timekeeping, and purchasing. In addition, we reviewed the Fiscal Year 2003 Adopted Budget, Chapter 25 of the Charter of the City of New York, and other relevant information to develop an understanding of the agency and its operations.

As part of our review of the BOC payroll and timekeeping practices, we reviewed the BOC timekeeping records for the six-month period, July 2002 through December 2002. We selected this judgmental sample (the results of which will not be projectable to the entire population) due to concerns over the limited number of personnel at BOC and the possibility of a lack of segregation of functions (i.e., potential internal control weakness). We also reviewed timekeeping records for the month of June 2003 to determine whether procedures were consistently followed, since the Deputy Executive Director assumed the timekeeping, payroll, and purchasing functions previously performed by the Office Manager, who was laid off in May 2003.

Our audit tests included a review of leave request forms and weekly time sheets for all managerial and non-managerial employees to determine whether BOC maintained appropriate leave

request documentation to support employee leave use. We also tested whether all leave request forms were properly approved and signed by supervisory personnel.

With the assistance of the Comptroller's Electronic Data Processing (EDP) Audit Group, we obtained a printout from the City Payroll Management System (PMS) detailing payroll information—title, current salary, employment status, leave time charges and use—of all BOC employees during Fiscal Year 2003. We then reconciled the BOC employee leave records and biweekly payroll data entry forms to the PMS information to determine whether employee leave occurrences were charged to appropriate leave balances and entered into PMS accurately.

To assess the BOC's purchasing practices, we evaluated all payment vouchers for OTPS expenditures made during Fiscal Year 2003 to determine whether all expenditures were charged to the correct fiscal year, had supporting documentation (invoices and purchase orders), and were properly approved for payment. In addition, to determine the accuracy of the voucher amounts, we traced each voucher to the supporting purchase orders and invoices.

We also reviewed the BOC Imprest Fund expenditures for Fiscal Year 2003. We examined relevant supporting vouchers and receipts to determine whether the expenditures were permissible and within allowed amounts, and whether any duplicate payments were authorized. We also determined whether the Imprest Fund account was reconciled on a monthly basis and whether checks drawn on the account were made payable to specified payees and not to "bearer" or "cash."

Further, to determine the adequacy of the BOC controls over its physical assets, we obtained a report of the BOC physical assets inventory to ascertain the quantity and types of assets, and the information (i.e., serial numbers, physical location, and equipment models) used to identify the assets in the inventory. We then conducted a walkthrough of BOC offices to identify where equipment was located and the physical controls over those assets. We decided to examine more closely the computer and electronic equipment category, which constituted 80 percent (108/135) of all BOC physical assets. From the inventory report, we judgmentally selected 72 of the 108 items shown in this category (omitting 30 of the 39 out-of-service equipment and six items located on Rikers Island) and traced each item to the asset to test the accuracy of the BOC physical asset inventory report.

To evaluate the BOC controls over payroll, timekeeping, and small purchases, we used the following sources as audit criteria:

- Comptroller's Directive #1, Internal Control Checklist
- Comptroller's Directive #3, Procedures for the Administration of Imprest Funds
- Comptroller's Directive #6, Travel, Meals, Lodging and Miscellaneous Agency Expenses
- Comptroller's Directive #13, Payroll Procedures
- Comptroller's Directive #24, Purchasing Function—Internal Controls
- New York City leave regulations for managerial and non-managerial employees

- Procurement Policy Board Rules, Chapter 3, §3-08, Small Purchases

We did not evaluate the reliability and integrity of the BOC computer-processed data, since all payroll and purchasing functions are processed through the City's PMS and Financial Management System (FMS), which are audited and attested to by the City's external auditors.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of the records and other audit 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 BOC officials during and at the conclusion of this audit. A preliminary draft report was sent to BOC officials and discussed at an exit conference held on February 24, 2004. On March 1, 2004, we submitted a draft report to BOC officials with a request for comments. We received a written response from BOC officials on March 18, 2004. However, in that response BOC officials failed to directly address the audit recommendations or to express whether they agreed or disagreed with the recommendations. Subsequently, on March 18, 2004, we contacted BOC officials and gave them the opportunity to revise their response to address the audit recommendations. We received BOC officials' revised response on March 23, 2004. BOC officials agreed with all nine of the audit recommendations, but stated that Recommendation #1 could not be implemented due to a lack of staffing resources.

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

FINDINGS AND RECOMMENDATIONS

The Board of Correction generally adhered to many of the requirements outlined in Comptroller's Directives #1, #3, #6, #13, and #24 as well as with many of the regulations of the New York City leave regulations for managerial and non-managerial employees. Specifically, we determined that the BOC paid employees for the proper number of hours worked and that employees were not paid beyond their termination date. Based on our review of OTPS payment vouchers, purchase orders, and invoices, and of Imprest Fund transactions, we determined that: purchases were properly accounted for, and legitimate and necessary for BOC operation; expenditures were charged to the proper budget and object codes; purchases made using the Imprest Fund included supporting documentation such as receipts and invoices; the Imprest Fund checking account was properly reconciled, and checks were drawn to specific parties as opposed to "bearer" or "cash." Furthermore, we determined that the BOC's physical assets are adequately safeguarded and that its inventory records accurately reflect its physical assets (i.e., computers and fax machines).

However, we found that the BOC does not have adequate oversight controls over timekeeping and purchasing activities. In addition, our review of timekeeping records revealed that the BOC:

- Did not have completed leave request forms to support 264 (57%) of the 460 total (annual and sick) leave occurrences used by 16 employees during the months of July through December 2002, and June 2003
- Incorrectly classified and charged 103.5 (65%) of the 159.25 total sick leave hours used by five employees during the months July through December 2002, and June 2003, as "medically documented" when the hours should have been classified as "undocumented" sick leave. Only 55.75 (35%) of the 159.25 total sick leave hours used by the five employees were actually "medically documented" sick leave and appropriately charged as such.
- Did not have medical documentation, as required, from two employees who had more than five undocumented sick leave occurrences during the six months from July 1, 2002, through December 31, 2002.
- Allowed one employee to charge 75.5 hours to sick leave during the period from July 1, 2002, through June 30, 2003, for the illness or disability of the family member—61.5 hours in excess of the allowed 14-hour limit for this type of leave.

Moreover, our review of the BOC purchasing transactions noted that the BOC did not cancel 55 of the 62 voucher packages prepared in Fiscal Year 2003 by stamping them "vouchered" or "paid." Noncompliance with these procedures resulted in the \$146.06 overpayment of an invoice. We also found that 19 (61%) of 31 expense reimbursement request forms submitted by employees during Fiscal Year 2003 did not have a supervisory signature to approve the reimbursement. In addition, two of the reimbursement requests were not certified (signed) by the employee. Despite these missing signatures, the BOC processed the reimbursement requests.

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

Insufficient Oversight

The BOC does not have adequate oversight controls over timekeeping and purchasing activities to address weaknesses created by a lack of segregation of duties. The responsibility for authorizing, processing, recording, and reviewing all timekeeping, purchasing, and payment transactions has historically been assigned to one person, with limited supervisory oversight. The BOC Deputy Executive Director assumed these responsibilities from the office manager who was laid off in May 2003. The loss of the office manager created additional control weaknesses, in general.

Comptroller's Directive #1 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." The BOC is a small agency with a small administrative and managerial staff; therefore, it is limited in its ability to segregate job functions among individual staff members. However, the BOC has segregated some functions. For example, the processing and disbursement of payroll checks are segregated. Also, the functions of writing checks from the Imprest Fund account and the monthly reconciliation of the account are segregated.

Nevertheless, these controls do not sufficiently ensure the correctness, accuracy, and validity of timekeeping and purchasing transactions. For example, payment voucher packages and their accompanying documentation are not independently reviewed by the Executive Director or another staff member for correctness prior to authorization for payment. Similarly, the PMS data are not independently reviewed and compared to employee timesheets by the Executive Director or another staff member prior to being transmitted for processing.

BOC officials informed us that effective December 5, 2003, a new office manager was hired who is responsible for processing timekeeping and purchasing activities, with the oversight of the Executive Deputy Director. While this may assist the BOC in strengthening its controls, the BOC needs to ensure that adequate oversight controls are in place and consistently followed in order to minimize the possibility of inefficiency, errors, and fraud.

Our review revealed that the lack of effective BOC oversight controls has resulted in timekeeping and other deficiencies, discussed in the following sections of this report.

Timekeeping Deficiencies

Leave Time Not Properly Documented

Our review of BOC timekeeping records determined that employee leave time occurrences (annual leave and sick leave) were not properly documented by completed leave request forms. Our review of the BOC timekeeping records for the months July through December 2002, and June 2003 determined that for 264 (57%) of 460 employee leave occurrences, the BOC did not have a completed leave request form on file. Table I, below, details these results by employee.

Table I

BOC Employee Leave Use without Appropriate Leave Request Documentation
July through December 2002, and June 2003

Employee	Number of Leave Occurrences	Number of Undocumented Leave Occurrences	Percent (%) of Undocumented Leave Occurrences
1	29	12	41%
2	38	30	79%
3	37	23	62%
4	30	15	50%
5	24	8	33%
6	71	57	80%
7	4	0	0%
8	23	16	70%
9	25	6	24%
10	30	21	70%
11	11	3	27%
12	19	17	89%
13	36	11	31%
14	30	11	37%
15	23	19	83%
16	30	15	50%
Totals	460	264	57%

BOC time and leave procedures require that employees submit leave requests and obtain authorizing signatures to document each absence. BOC procedures state, "Except for exigent circumstances, all annual leave and compensatory time must be approved by an appropriate supervisor in advance." In addition, Comptroller's Directive #13, §4.5, states that the timekeeper must ensure that all employee leave requests are submitted in advance and have the proper authorization.

Despite these requirements, as illustrated in Table I, the BOC has neither enforced its own procedures nor complied with Comptroller's Directive #13 to ensure that all employees submit leave request forms, and that the forms are properly signed and authorized by supervisory personnel in advance.

The BOC has continued to charge employee leave balances for leave use; however, it did not have on file completed employee leave authorization forms. In many cases, weekly employee time sheets are the only documents available to establish employee leave use. Accurate employee leave records are essential for establishing the validity of absences and supporting charges against employee leave balances. Without ensuring that these records are appropriately submitted, authorized, and kept on file, BOC lacks sufficient supporting documentation to track authorized employee leave uses and to reconcile with PMS records should claims of discrepancies arise.

**Undocumented Sick Leave Incorrectly Charged
As Medically Documented Sick Leave**

Our review of BOC’s timekeeping records and PMS data entry forms determined that during July 1, 2002 through December 31, 2002, and June 1, 2003 through June 30, 2003, five employees used a total of 159.25 hours of sick leave. The BOC charged all of these hours as “medically documented” sick leave. However, we found that 103.5 (65%) of the 159 hours were “undocumented sick leave” that were erroneously classified and charged as “medically documented” sick leave. Only 55.75 (35%) of the 159.25 hours were actually “medically documented” sick leave and appropriately charged as such. Table II, below, details these results for each of the five employees.

Table II

Sick Leave Use Incorrectly Charged as Medically Documented Leave
July 1, 2002 through December 31, 2002, and June 1, 2003 through June 30, 2003

Employee	Number of Hours Charged as “Documented” Sick Leave	Number of Undocumented Sick Leave Hours Erroneously Charged as “Documented” Sick Leave	Percent (%) of Hours Incorrectly Charged as “Documented” Sick Leave
1	43.50	9.0	21%
2	48.50	36.0	74%
3	30.75	29.5	96%
4	17.50	14.0	80%
5	19.00	15.0	79%
Totals	159.25	103.5	65%

By failing to correctly classify sick leave occurrences as either documented or undocumented on the PMS system, the BOC does not have an accurate accounting of employee documented and undocumented sick leave use; therefore, it can not accurately determine the instances in which employees may be abusing their sick leave benefits.

Excessive Sick Leave without Medical Documentation

Our review also determined that two BOC employees had more than five sick leave occurrences during the six months from July 1, 2002 through December 31, 2002, that lacked appropriate medical documentation to substantiate the additional sick leave.

The BOC time and leave procedures and the New York City leave regulations for managerial and non-managerial employees state that employees must submit medical documentation (a doctor’s note) if they are out of work for three or more consecutive work days or have five or more undocumented sick leave occurrences in a six-month period.¹ Failure to provide a doctor’s note after using more than the allowed number of sick leave days is an indication that employees may be abusing their sick leave benefits.

¹ These regulations define a “one time occurrence” as the employee’s consecutive use of one-half or more workdays for sick leave, and a “sick leave period” as either the six-month period January 1 to June 30 or July 1 to December 31.

Excess Sick Leave Used for Illness of a Family Member

During the twelve months from July 1, 2002 through June 30, 2003, one employee used excessive sick leave for the illness of a family member. Following our review of the employee's time and leave records, we calculated that the employee used a total of 107 hours for sick leave. As shown in Table III below, of the 107 hours, the BOC approved and charged the employee's sick leave balances 75.5 hours for sick leave used by the employee for the illness or disability of a family member (54.5 hours documented and 21 hours undocumented)—61.5 hours in excess of the allowed limit.

Table III

Excess Employee Sick Leave Used
For the Illness of a Family Member

	Sick Leave Hours Used for the Illness or Disability of a Family Member	Sick Leave Hours Used by Employee	Total Hours
Medically Documented Hours	54.5	3.0	57.5
Undocumented Hours	21.0	28.5	49.5
Total	75.5	31.5	107

New York City leave regulations for managerial and non-managerial employees state that employees may use up to two days (14 hours) per year from their sick leave balances for the care of ill family members with an appropriate statement of disability from a health care provider. All other absences due to illness in an employee's immediate family are not chargeable to sick leave, but would fall in the category of "Personal Business," chargeable against annual leave.

Although the employee provided medical documentation for most of the sick leave occurrences for the illness of a family member, leave regulations allow only 14 hours of sick leave for this purpose. Any additional time should have been charged to annual leave.

Other Deficiencies

Paid Invoices Not Marked "Vouchered" or Canceled

The BOC processed a total of 62 payment voucher packages, totaling \$21,262, during Fiscal Year 2003, either through the City Financial Management System or through the BOC Imprest Fund. We found that 55 of the 62 voucher packages (including receiving slips, purchase orders, and invoices) were neither canceled nor stamped "vouchered" or "paid."

Comptroller's Directive #1 recommends that paid invoices be canceled. In addition, Directive #24 states that all parts of the voucher package should be clearly marked or stamped "vouchered" and that paid invoices should be canceled. In addition, the payment voucher number, date of payment, and any other relevant information should be noted on the invoice or payment voucher.

The purpose of these procedures is to prevent the occurrence of duplicate payments. Based on our review, the BOC's lack of compliance with these procedures resulted in the overpayment of an invoice, totaling \$146.06. We advised BOC officials of this finding, and they in turn took appropriate action to recoup the overpayment.

Imprest Funds Deficiencies

Imprest Funds are agency controlled checking accounts that can be used for petty cash transactions and small purchases of less than \$250, including office supplies, materials, equipment, non-personal services, and employee business-related expenses, such as local transportation. In Fiscal Year 2003, the BOC had a total of 30 Imprest Fund debit transactions, with expenditures totaling \$979. Our review determined that, with the exception of payments for monthly Internet service (discussed below), the BOC Imprest Fund expenditures were reasonable, necessary, did not exceed established limits, and were adequately supported by receipts and invoices. However, we noted the following deficiencies.

We found that 19 (61%) of 31 expense reimbursement request forms submitted by employees for reimbursement during Fiscal Year 2003 did not have a supervisory signature to approve the reimbursement. In addition, two of the reimbursement requests were not certified (signed) by the employee. Despite the missing signatures, the BOC processed these reimbursement requests.

Comptroller's Directive #6 requires that employees submit an expense reimbursement request form, with supporting expense receipts, to their designated supervisor for review and approval. The request form must be signed and dated by the employee to certify that the accounting of submitted expenses is accurate and that the expenses were necessary in the performance of the employee's official duties. Supervisors must review reimbursement claims, sign and date the forms, and forward them to the agency fiscal office.

We also found that during Fiscal Year 2003, the BOC approved monthly electronic debits from its Imprest Fund checking account, totaling \$241, for monthly Internet access charges. Comptroller's Directive #3, §6.0, states that under no circumstance may Imprest Funds be used for any recurring monthly expenditures. In addition, we found that the checks for the Imprest Fund account were not imprinted with the language "void after 90 days," as required by Directive #3, §5.1.4.

Although Imprest Fund expenditures are relatively small amounts, without adequately documenting the approval and monitoring the use of these funds, the BOC cannot be assured that the funds are not misused or misappropriated.

Recommendations

The BOC should:

1. Implement oversight control procedures requiring that all timekeeping data and payment voucher packages be independently reviewed and verified by the Executive Director or other BOC staff member for correctness prior to the authorization to process the transactions.

BOC Response: “Implementation not possible. . . . [C]urrently, the board’s headcount is 15. One employee, the office manager, performs all timekeeping, purchasing, vouchering, payroll, personnel, and inventory duties. The Deputy Executive Director oversees the activities of the office manager, but also serves as co-counsel and directs BOC’s efforts to monitor the jails’ compliance with Minimum Standards for Health Care and Mental Health Care. We have no other staff who could take on the additional responsibilities of overseeing the office manager’s functions. We wish that we had the resources to better oversee our timekeeping and purchasing activities. In response to previous audits of BOC conducted by the Comptroller’s Office in 1996 and 2001, we requested your Office’s assistance in helping us develop a realistic way to improve our ‘segregation of duties’ and oversight problems. We have yet to receive a response. It is important to note that there were no instances where funds were misused, misappropriated or stolen by BOC staff. ”

Auditor Comment: We are aware that the BOC is one of several agencies that are small and have limited staff and resources. Nevertheless, it is management’s ultimate responsibility to proactively address internal control weaknesses and to mitigate deficiencies and conditions disclosed by our audit. One way of doing this would be for management to evaluate the duties and job tasks of all its employees, identify areas where control procedures could be integrated, and develop and implement such control procedures. Another means for BOC management to attempt to create a better control environment would be through the means specified in audit recommendations, such as those contained herein, or other means adopted by agency management.

Recommendations made in this current audit and in two previous Comptroller’s Office audits of the BOC, conducted in 1996² and 2000³, respectively, described the course of action BOC management should take to correct its internal control weaknesses. Pursuant to GAGAS §8.29, the recommendations made in each of these audits were directed at resolving the causes of identified problems, and were both specific and practical.

2. Ensure that all employees complete the appropriate leave authorization forms in accordance with Comptroller’s Directive #13, §4.5, and that these forms remain on file.

BOC Response: “We agree. . . . [W]e have re-instructed supervisors to ensure that all proper staff documentation is in place before approving any time sheets. We also have set up a reporting system whereby the office management is required to provide the Director of Field Operations sick and leave balances of his staff every two months.”

3. Ensure that all sick leave time charges (i.e., medically documented or undocumented sick leave) are correctly classified and reflected in employee records.

² *New York City Board of Correction Small Procurement and Vouchering Practices*, audit # FR96-115A, issued April 30, 1996.

³ *Follow-up Audit Report on the New York City Board of Correction Small Procurement and Vouchering Practices*, audit #MH00-197F, issued April 30, 2001

BOC Response: “We agree. . . .We also have set up a reporting system whereby the office management is required to provide the Director of Field Operations sick and leave balances of his staff every two months.”

4. Adjust the leave balances of the employee who was incorrectly permitted to use excessive sick leave for the illness of a family member. The 61.5 hours used in excess of the allowed 14 hours of sick leave for the illness of a family member should be charged to the employee’s annual leave balances.

BOC Response: “We agree . . . [W]e had requested the names of the employees who improperly documented their sick leave and who have used excess sick leave for an ill family member. Unfortunately, we were unable to take immediate corrective action because your staff failed to provide us with the names of the BOC employees whose records were cited in the draft report until Friday afternoon, March 19th. . . . Be assured that the records will be reviewed and corrected as appropriate.”

Auditor Comments: We discussed our findings with BOC officials during and at the conclusion of this audit. Nevertheless, pursuant to BOC officials original response of March 18, 2004, we provided the Deputy Executive Director with a list of employees that the audit determined did not have properly documented leave time, those that had undocumented sick leave incorrectly charged to medically documented sick leave, and the one employee who had used excess sick leave for the illness of a family member. Given this information, BOC officials are able to take corrective action on an individual basis.

5. Monitor employee sick leave to ensure that no employee is permitted to use more than 14 hours of sick leave for the illness of a family member.

BOC Response: “We agree”—for additional comments refer to Recommendation #3.

6. Require and ensure that employees submit medical documentation (a doctor’s note) when they use three or more consecutive days of sick leave or when they have more than five sick leave occurrences in a six-month period, in accordance with §3.0 b (2) of the New York City leave regulations for managerial and non-managerial employees.

BOC Response: :”We agree”—for additional comments refer to Recommendation #2.

7. Require that all payment voucher packages, including all supporting documents (i.e., invoices, receiving slips, and purchase orders) are canceled and marked “vouchered,” or “paid,” to avoid duplicate payments. In addition, the payment voucher (or check) number, date of payment, and any other relevant information should be noted on the invoice or payment voucher.

BOC Response: “We agree and have implemented this recommendation.”

8. Ensure that all expense reimbursement request forms submitted by employees are appropriately signed by both the employee and a supervisor or other authorized BOC employee prior to authorizing the reimbursement.

BOC Response: “We agree and have implemented or will attempt to implement except for [forms submitted by the Executive Director] . . . who should not be requiring a subordinate to approve his request forms.”

Auditor Comments: We appreciate the argument that the BOC director should not be expected to have a subordinate approve or disapprove his requests for reimbursement. Nevertheless, an approver or reviewer (in the case of the Director) should verify that all documents are signed and requests for reimbursements have the proper and accurate supporting documents. By performing this step, BOC can increase its assurance that all paperwork is appropriately completed, and required support documentation is present prior to payment

9. Comply with Comptroller’s Directive # 3, §6.0, and discontinue paying recurring, monthly Internet service charges from the Imprest Fund.

BOC Response: “We agree and have implemented or will attempt to implement. . . : The Board will try to find an internet service company that will accept a City purchase order.”

Stanley Kreitman, Chair
John R. Horan, Vice Chair
John H. Banks III
Louis A. Cruz, Esq.
Richard M. Nahman, O.S.A.
Jane Paley Price
Michael J. Regan



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Richard T. Wolf
Executive Director

March 15, 2004

Greg Brooks
Deputy Comptroller
Office of the Comptroller
1 Centre Street
New York, NY 10007

RE: Response to Draft Audit Report (MG04-090A)

Dear Mr. Brooks:

I am writing to comment upon several of the findings contained in the above-referenced draft report.

Insufficient oversight/segregation of duties

The draft report notes that the Board "does not have adequate oversight controls over timekeeping and purchasing activities to address weaknesses created by a lack of segregation of duties". Currently the Board's headcount is 15. One employee, the office manager, performs all timekeeping, purchasing, vouchering, payroll, personnel, and inventory duties. The Deputy Executive Director oversees the activities of the office manager, but also serves as co-counsel and directs BOC's efforts to monitor the jails' compliance with Minimum Standards for Health Care and Mental Health Care. We have no other staff who could take on the additional responsibilities of overseeing the office manager's functions. We wish that we had the resources to better oversee our timekeeping and purchasing activities. In response to previous audits of BOC conducted by the Comptroller's Office in 1996 and 2001, we requested your Office's assistance in helping us develop a realistic way to improve our "segregation of duties" and oversight problems. We have yet to receive a response.

It is important to note that there were no instances where funds were misused, misappropriated or stolen by BOC staff.

Leave Time Not Properly Documented, Undocumented Sick Leave Incorrectly Charged As Medically Documented Sick Leave and Excess Sick Leave Used for Illness of a Family Member

Although we have requested the names of the employees who improperly documented their sick leave and who have used excess sick leave for an ill family member, we have yet to receive these names. Nonetheless, we have re-instructed supervisors to ensure that all proper staff documentation is in place before approving any time sheets. We also have set up a reporting system whereby the office manager is required to provide the Director of Field Operations sick and leave balances of his staff every two months.

Paid Invoices Not Marked "Vouchered" or Canceled

All paid invoices are marked with a "vouchered" stamp.

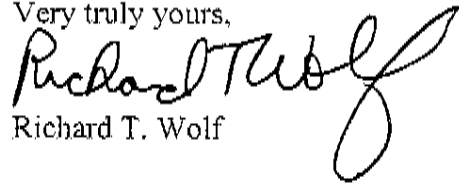
Imprest Funds Deficiencies

There were two deficiencies noted. The first pertained to expense reimbursement request forms, which did not have a supervisory signature to approve reimbursement and two were not signed by the employee. These requests were made by the head of the agency who should not be requiring a subordinate to approve his request forms.

With respect to the second deficiency, the Board will try to find an internet service company that will accept a City purchase order.

Within available resources, we will incorporate the audit recommendations into our practices.

Very truly yours,


Richard T. Wolf

Stanley Kreitman, Chair
John R. Horan, Vice Chair
John H. Banks III
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Richard T. Wolf
Executive Director

March 22, 2004

Greg Brooks
Deputy Comptroller
Office of the Comptroller
1 Centre Street
New York, NY 10007

RE: Second response to Draft Audit Report (MG04-090A)

Dear Mr. Brooks:

Having received a telephone call from Lynn Elfers requesting that we re-submit our initial response, dated March 15th, to your draft audit, we are pleased to submit the following, which we understand will be more consistent with the format your staff prefers to receive. We will respond to each recommendation in the draft audit, by number, including our comments, as appropriate.

Recommendation 1: Implementation not possible.

As we stated in our original response, the draft report notes that the Board "does not have adequate oversight controls over timekeeping and purchasing activities to address weaknesses created by a lack of segregation of duties". Currently the Board's headcount is 15. One employee, the office manager, performs all timekeeping, purchasing, vouchering, payroll, personnel, and inventory duties. The Deputy Executive Director oversees the activities of the office manager, but also serves as co-counsel and directs BOC's efforts to monitor the jails' compliance with Minimum Standards for Health Care and Mental Health Care. We have no other staff who could take on the additional responsibilities of overseeing the office manager's functions. We wish that we had the resources to better oversee our timekeeping and purchasing activities. In response to previous audits of BOC conducted by the Comptroller's Office in 1996 and 2001, we requested your Office's assistance in helping us develop a realistic way to improve our "segregation of duties" and oversight problems. We have yet to receive a response.

It is important to note that there were no instances where funds were misused, misappropriated or stolen by BOC staff.

Recommendation II: We agree and have implemented this recommendation.

Recommendation III, IV, V and VI: We agree and have implemented these recommendations, except as noted below.

As we stated in our original response, we had requested the names of the employees who improperly documented their sick leave and who used excess sick leave for an ill family member. Unfortunately, we were unable to take immediate corrective action because your staff failed to provide us with the names of the BOC employees whose records were cited in the draft report until Friday afternoon, March 19th. We were told that this revised response was needed by close of business today.

Be assured that the records will be reviewed and corrected as appropriate. Furthermore, we already have re-instructed supervisors to ensure that all proper staff documentation is in place before approving any time sheets. We also have set up a reporting system whereby the office manager is required to provide the Director of Field Operations sick and leave balances of his staff every two months.

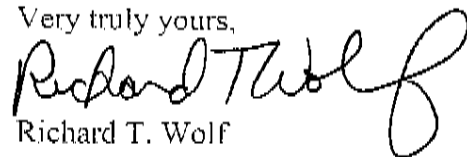
Recommendation VII: We agree and have implemented this recommendation.

Recommendations VIII and IX: We agree and have implemented or will attempt to implement these recommendation regarding the imprest fund, except as noted below.

In our initial response to your draft audit report, we stated that the first of the two deficiencies noted pertained to expense reimbursement request forms, which did not have a supervisory signature to approve reimbursement. Two were not signed by the employee. These requests were made by the head of the agency who should not be requiring a subordinate to approve his request forms. With respect to the second deficiency, the Board will try to find an Internet service company that will accept a City purchase order.

We appreciate the opportunity to respond to your office's findings.

Very truly yours,



Richard T. Wolf