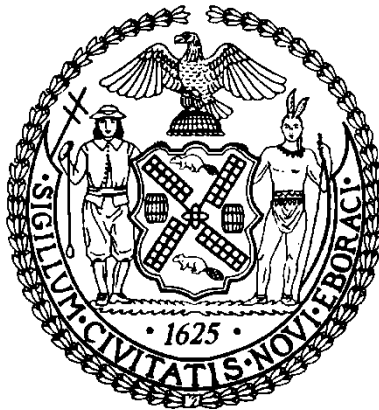


CITY OF NEW YORK OFFICE OF THE COMPTROLLER

John C. Liu
Comptroller

FINANCIAL AUDIT
H. Tina Kim
Deputy Comptroller for Audit



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

FP10-107A

JANUARY 13, 2011



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

John C. Liu
COMPTROLLER

January 13, 2011

To the Residents of the City of New York:

My office has audited the financial and operating practices of the Staten Island Borough President's Office (SIBP) regarding purchasing procedures. We audit City agencies such as these as a means of ensuring that they comply with established policies and procedures.

The SIBP generally adhered to applicable requirements and standards for purchasing, and a review of their other than personal services expenditures revealed no improper use of monies. However, there were minor instances of noncompliance, including procedures for the administration of the imprest fund, purchase requests forms approved after the purchases were incurred, inventory list of computer and electronic equipment was not complete and accurate, and Topographical Bureau cash receipts were not deposited on a daily basis. These instances did not change the audit's overall opinion.

The audit recommendations addressed the weaknesses identified in the report and, if implemented, will result in compliance with purchasing standards and procedures.

The results of the audit have been discussed with SIBP 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,

A handwritten signature in black ink that reads "John C. Liu".

John C. Liu

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The City of New York
Office of the Comptroller
Financial Audit

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

FP10-107A

AUDIT REPORT IN BRIEF

This audit determined whether the Staten Island Borough President's Office (SIBP) complied with certain purchasing procedures as set forth in the Comptroller's Directives #1, "Financial Integrity Statement;" #3, "Procedures for the Administration of Imprest Funds;" #6, "Travel, Meals, Lodging and Miscellaneous Agency Expenses;" #11, "Cash Accountability and Control;" #24, "Agency Purchasing Procedures and Controls;" applicable Procurement Policy Board (PPB) rules; and the Department of Investigation's (DOI's) *Standards for Inventory Control and Management*.

Audit Findings and Conclusions

With the exception of the issues noted below, we found that the SIBP generally adhered to the requirements of Comptroller's Directives #3, #6, #11, and #24, applicable PPB rules, and the DOI's *Standards for Inventory Control and Management*. In addition, the SIBP other than personal service (OTPS) expenditures disclosed no instances in which monies were improperly used. However, we did note some instances of noncompliance representing internal control weaknesses. Specifically:

- Imprest fund supporting documentation was not stamped "PAID, CHECK #, DATE."
- Imprest fund reimbursement requests were not submitted promptly.
- A continuing monthly expenditure was incorrectly charged as an imprest fund expense.
- Thirty-three out of 65 purchase request forms were approved after the purchases were incurred.

- The inventory list of computer and electronic equipment was not complete and accurate.
- Four items lacked agency property identification tags.
- Forty-seven relinquished items were included on the inventory list.
- Eighteen Topographical Bureau cash receipts totaling \$6,800 were not deposited on a daily basis.

We make seven recommendations, including the following.

- The SIBP should ensure that all imprest fund expenditures comply with the provisions of Directive #3.
- The SIBP should ensure that agency purchase request forms are approved in advance of the purchase by the employee(s) designated by the Agency Head.
- The SIBP should ensure that complete and accurate records of all pieces of equipment are maintained.
- The SIBP should ensure that all cash receipts are deposited in a timely manner.

INTRODUCTION

Background

Borough Presidents are the executive officials of each of the five boroughs, elected by the people of their borough for a term of four years. It is a Borough President's responsibility to prepare and review budget proposals; recommend capital projects; hold public hearings on matters of public interest; consult with 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 in the borough; prepare environmental analyses required by law; 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.

This audit has assessed the financial and operating procedures of the SIBP, which had other than personal service (OTPS) expenditures of \$618,388 during Fiscal Year 2009.

Objective

This audit was conducted to determine whether the SIBP is complying with certain purchasing procedures, as set forth in the Comptroller's Directives #1, "Financial Integrity Statement;" #3, "Procedures for the Administration of Imprest Funds;" #6, "Travel, Meals, Lodging and Miscellaneous Agency Expenses;" #11, "Cash Accountability and Control;" #24, "Agency Purchasing Procedures and Controls;" applicable Procurement Policy Board (PPB) rules; and the Department of Investigation's (DOI's) *Standards for Inventory Control and Management*.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

This audit covered the period July 1, 2008, through June 30, 2009.

To obtain an understanding of the purchasing procedures and regulations with which the SIBP is required to comply, we reviewed relevant provisions of: Comptroller's Directives #1, #3, #6, #11, and #24; applicable PPB rules; and the DOI's *Standards for Inventory Control and Management*. We interviewed staff at the SIBP to obtain an understanding of their purchasing procedures and to determine how their physical assets are safeguarded.

Tests of Compliance with Comptroller's Directives #3, #6, #11, and #24, and PPB Rules

During Fiscal Year 2009, the SIBP issued a total of 277 purchase documents with 443 corresponding payment vouchers, totaling \$606,158.

We examined 32 purchase documents issued by the SIBP during our audit period and their 57 corresponding vouchers totaling \$192,678. The SIBP did not issue any miscellaneous vouchers (PVM) during Fiscal Year 2009.

In addition, we examined three imprest fund vouchers (PVR) with the highest dollar amounts. The three PVRs examined totaled \$4,707. During our audit period, the SIBP issued 12 PVRs totaling \$11,067.

We examined each purchase document and voucher for the requisite approvals and authorizations; for evidence that the transactions were for proper business purposes; and for adequate documentation. It was also determined whether the proper purchase documents were used to initiate the purchase of goods or services. Each of the vouchers was examined to ascertain whether it was properly coded; an authorized purchase document was on file; sales and excise taxes, if applicable, were properly excluded from payments; late fees were incurred and paid; and bids were obtained when required by PPB rules.

For the three PVRs selected, we examined the 53 canceled checks related to those vouchers for two authorized signatures and amounts, a specific payee (as opposed to "bearer" or "cash"), an endorsement, and a "void after 90 days" inscription on each check. We also traced the canceled checks to the bank statements and determined whether appropriate bank reconciliations were performed for Fiscal Year 2009. Finally, we determined whether each expenditure was within the \$250 allowable amount specified in Comptroller's Directive #3.

The results of the above tests of the three PVRs, while not projected to all PVRs, provided a reasonable basis to assess the SIBP's compliance with Comptroller's Directive #3.

Tests of Major Equipment Items

We selected all eight major equipment items, totaling \$5,155 (including shredders, a digital camera, and a laptop), purchased during our audit period to determine whether these items were listed on the SIBP's inventory records and were present at the office. We also randomly selected 10 additional items that were present at the office to determine whether they were included on the inventory list. In addition, we observed three SIBP vehicles.

During the inventory walk-through, we checked whether the examined items were properly tagged (with the exception of the three vehicles) as property of the SIBP. In addition, we determined whether the tag and serial number affixed to each item matched each tag and serial number as listed on the inventory records.

The results of the above tests of 21 inventory items, while not projected to all inventory items, provided a reasonable basis to assess the SIBP's controls over inventory, as specified in the DOI's *Standards for Inventory Control and Management*.

Tests of Cash Receipts

We selected the two highest months of cash receipts totaling \$22,600 to determine the cash controls over sales by the Topographical Bureau. We reviewed the copies of all the requests, invoices, and checks received to determine whether the checks were restrictively endorsed, deposited promptly, and the correct fee charged. We also interviewed staff at the SIBP to obtain an understanding of the procedures for issuing house numbers and collection of cash as required by Comptroller's Directives #1 and #11.

Discussion of Audit Results

The matters covered in this report were discussed with SIBP officials during and at the conclusion of this audit. A preliminary draft report was sent to SIBP officials and discussed at an exit conference held on October 27, 2010. On November 3, 2010, we submitted a draft report to SIBP officials with a request for comments. We received a written response from SIBP officials on November 18, 2010. In their response, SIBP officials described the steps they have taken or will take to implement the report's recommendations. The full text of the SIBP response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

The SIBP generally adhered to the requirements of Comptroller's Directives #3, #6, #11, and #24, applicable PPB rules, and the DOI's *Standards for Inventory Control and Management*. In addition, the SIBP OTPS expenditures disclosed no instances in which monies were improperly used. However, we did note some instances of noncompliance representing internal control weaknesses, as noted below. These instances of noncompliance, which did not cause us to change our overall opinion, are discussed in detail in the following sections of this report.

Imprest Fund Weaknesses

Although the SIBP used the imprest fund to make legitimate purchases, there were several weaknesses with the administration of the imprest fund. Those weaknesses were that the supporting documentation was not stamped "PAID, CHECK #, DATE," reimbursement requests were not submitted promptly, and a continuing monthly expenditure was incorrectly charged as an imprest fund expense.

In nine instances, documentation lacked the stamp "PAID, CHECK #, DATE." Directive #3, §5.4.9, states, "For purposes of providing an audit trail and preventing duplicate payments, all invoices, receipts or supporting documentation must be hand stamped as follows: "PAID, CHECK #, DATE." The omission of this information on documentation may inadvertently result in duplicate payments. (We noted no duplicate payments during our review.)

In four instances, reimbursement requests were not submitted promptly. For example, on June 30, 2008, an employee submitted a reimbursement request totaling \$120 for public transportation and personal vehicle use for the months of January, February, March, April, May, and June. Therefore, a part of this reimbursement request was submitted almost six months after expenses were incurred. Directive #6, §18.1, states, "Employees must submit reimbursement requests within 10 business days after incurring the expenditure."

We found five incorrect imprest fund purchases for a monthly subscription service for Internet downloads of library articles totaling \$110. These expenditures are not allowable under Directive #3. Directive #3, §6.0, states, "Continuing monthly expenditures" are not allowable imprest fund purchases. These purchases should be processed with a purchase document. After a purchase document is issued to encumber the funds, the proper payment for these expenditures is made on the Payment Voucher (PVE).

Recommendation

1. The SIBP should ensure that all imprest fund expenditures comply with the provisions of Directive #3.

SIBP Response: "a.) In the future all documentation for impress fund disbursements will be stamped 'PAID' and include the check number and date of payment so as to prevent possible duplicate payments and to provide an audit trail for payments. This has been the normal procedure of the office, but as instances of non-compliance have occurred, I have

directed the staff to insure compliance in the future and shall have senior staff monitor compliance in the future.

b.) In addition, in the future, all staff shall be directed to timely submit reimbursement requests for transportation and personal vehicle use. I have directed staff to endeavor to have these reimbursement requests submitted as soon as practical, understanding that it will occasionally take time to obtain receipts or EZ-Pass statements reflecting the use of personal vehicles.

c.) In response to the use of imprest funds for the payment of a subscription service by the Press Office for access to archives of the local newspapers. I have directed the Press Office and my fiscal staff to research alternate means to obtain the required access to the local newspaper's archives in a manner that will not unreasonably increase the cost to this office. If an alternative can be found, it shall be implemented. If not, an alternative means of accounting for the expense and providing reimbursement to the employee in compliance with the Comptroller's Office Directives shall be explored."

Purchase Requests Forms Approved After Purchases

Thirty-three out of 65 purchase request forms were approved after the purchases were incurred. Twenty-two of the 33 purchase request forms were for purchases from the imprest fund. The number of days that lapsed between the invoice date and the purchase request form date ranged from one to 122 days. The SIBP has an internal form used for approving expenditures. The form includes the date of the request, description, name of the employee requesting purchase, anticipated cost, supervisory approval, and the procurement, budget, and executive review.

For example, the SIBP hired security guard services for a "Back to the Beach Event" held on August 16, 2008; however, the SIBP did not complete the purchase request form until January 8, 2009, 122 days after the guard service company sent an invoice to the SIBP.

Agencies are required to follow Directive #3 for all their imprest fund purchases. Directive #3, §5.4.1, states, "All agency purchases must be approved, in advance, by the employee(s) designated by the Agency Head to authorize the purchases." The prior approval for items to be purchased is accomplished by preparing a purchase requisition form that is signed by an authorized individual. The purchase request form should be approved and completed prior to the purchase to prevent the possibility of any unauthorized purchases.

SIBP officials stated that these purchases are approved orally prior to making the purchase, and that the purchase request form is an internal document that is not a required form under the Comptroller's directives. They added that it would be unfair to cite them for implementing an additional control procedure.

While Directive #3 does not explicitly require that approval of imprest fund purchases be in writing, failure to require written approval prior to the purchase can lead to confusion as to whether pre-approval actually occurred, weakening the benefit of the control. If the supervisor is

approving the purchase request after the purchase, then the form serves no purpose in strengthening controls, since the items were already purchased.

Recommendation

2. The SIBP should ensure that agency purchase request forms are approved in advance of the purchase by the employee(s) designated by the Agency Head.

SIBP Response: “In response to the conclusions and recommendations of the Comptroller’s Office, the Staten Island Borough President’s Office is modifying the Purchase Request Forms previously generated and adopted for use at my direction. I have directed the office staff involved in the decision process for purchases to insure that the approval of all purchases are now memorialized prior to the actual purchase.”

Inventory Control Weaknesses

Our review of the inventory records maintained by the SIBP found that the inventory list of computer and electronic equipment was not complete and accurate. The inventory list did not include four items. Three of these items (a digital camera, shredder, and time recorder) were purchased during Fiscal Year 2009, and one item observed during the walk-through was not found on the inventory list.

In addition, four items lacked agency property identification tags. Three of these items (two shredders and a time recorder) were purchased during Fiscal Year 2009, and one item observed during the walk-through was not tagged.

Section 15 of the DOI’s *Standards for Inventory Control and Management* states, “A perpetual inventory system is established to maintain an up-to-date count of all items in the inventory.”

Section 28 also requires that “Readable, sturdy property identification tags (reading ‘Property of the City of New York’) with a sequential internal control number are assigned and affixed to valuable items. An inventory log containing the internal control number assignments . . . is maintained.” Properly listed equipment items enhance the chance of an item’s recovery in case of theft. Not updating inventory records and ensuring that all items are tagged may lead to inaccurate and incomplete inventory records.

Recommendations

The SIBP should ensure that:

3. Complete and accurate records of all pieces of equipment are maintained.
4. Agency property identification tags are affixed to items.

SIBP Response: “I have reviewed the concerns raised by the Comptroller’s Staff and have directed my staff to insure the accurate recordation of all equipment presently in the office and purchased in future. The existing procedures have been tightened to direct that all equipment purchases shall be received by designated staff who shall promptly secure an approved tag to the equipment and thereafter record the equipment and tag on the inventory schedule.”

Relinquished Items Incorrectly Included on Inventory List

The SIBP included 47 relinquished items on the inventory list of equipment. These relinquished items should have been removed from the inventory list as required by the DOI’s *Standards for Inventory Control and Management*. Section 9 of the DOI’s *Standards for Inventory Control and Management* states, “Relinquished items are deleted from the inventory log, under adequate control.”

Recommendations

The SIBP should ensure that:

5. Relinquished items are removed from the inventory list.
6. A separate log is maintained for relinquished or discarded items.

SIBP Response: “As a result of the previous audit conducted by the Comptroller’s Office, a list of office equipment inventory was created and maintained in computerized form as an Access Database. In compliance with the direction of the previous audit staff, all items relinquished were so noted on the inventory list. In compliance with the Comptroller’s Audit Staff current recommendations, I have directed my staff to insure that relinquished items will now be maintained on a separate list in the database and shall be removed from the current inventory list, which shall continue to maintain in database form with a printed back up.”

Cash Receipts Weakness

Our review of 65 Topographical Bureau cash receipts found that 18 (27%) of the cash receipts totaling \$6,800 were not deposited in a timely manner. All of the cash receipts were in the form of money orders or certified checks. The Topographical Bureau charges a fee to builders, and architects for issuance of house numbers. These cash receipts were held for six to nine business days from the date of receipt to the date they were actually deposited.

Directive #11, §3.4 (b), states, “Generally, deposits must be made on a daily basis.”

Directive #11, §3.5, states, “The accumulation of cash is not permitted.”

Cash in any form is highly susceptible to theft and misappropriation. Failure to ensure timely deposits of cash receipts increases the risk that checks or money orders could be lost or misappropriated.

Recommendation

7. The SIBP should ensure that all cash receipts are deposited in a timely manner.

SIBP Response: “I have directed my staff to insure that checks and money orders are timely deposited in the City General Account.”

CITY OF NEW YORK
PRESIDENT
OF THE
BOROUGH OF STATEN ISLAND



JAMES P. MOLINARO
PRESIDENT

BOROUGH HALL, STATEN ISLAND, N.Y. 10301

November 17, 2010

Honorable H. Tina Kim
Deputy Comptroller
City of New York, Office of the Comptroller
1 Centre Street
New York, New York 10007

Re: Audit Report on the Financial and Operating Practices
of the Staten Island Borough President's Office – FP10-107A

Dear Deputy Comptroller Kim:

I am in receipt of your draft report in the above noted matter and have reviewed same with the appropriate members of my staff. First, I wish to thank you and your staff for your professionalism and your attention in making the audit process a quick and painless experience for myself and my staff. Their attention to detail, professional manner and prompt action in undertaking and completing the audit in a timely manner is greatly appreciated.

I have reviewed and analyzed the conclusion and recommendations contained in your draft report and wish to advise you that steps have been taken by my office to address the minor weaknesses discovered in the handling of topographical fees, the recording of inventory items, the imprest fund expenditures, and the agency generated purchase request forms. The steps we have taken are specified below:

1. Imprest Fund Expenditure Compliance with Directive # 3.

In response to the conclusions and recommendations of the Comptroller's Office, I have directed my fiscal staff to review their internal procedures and to insure compliance with Directive # 3.

a.) In the future all documentation for impress fund disbursements will be stamped "PAID" and include the check number and date of payment so as to prevent possible duplicate payments and to provide an audit trail for payments. This has been the normal procedure of the office, but as instances of non-compliance have occurred, I have directed the staff to insure compliance in the future and shall have senior staff monitor compliance in the future.

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Deputy Comptroller H. Tina Kim

b.) In addition, in the future, all staff shall be directed to timely submit reimbursement requests for transportation and personal vehicle use. I have directed staff to endeavor to have these reimbursement requests submitted as soon as practical, understanding that it will occasionally take time to obtain receipts or EZ-Pass statements reflecting the use of personal vehicles.

c.) In response to the use of imprest funds for the payment of a subscription service by the Press Office for access to archives of the local newspapers, I have looked into the matter and wish the Comptroller's Office to note that the use of the monthly subscription service reduces the cost of the service by a very significant amount. As the office of the Staten Island Borough President does not and will not during my tenure provide credit cards to its employees, the only means presently available for the staff to obtain access to this necessary resource is to have the senior press officer obtain the service monthly on her personal credit card and file a reimbursement request with the office. I have directed the Press Office and my fiscal staff to research alternate means to obtain the required access to the local newspaper's archives in a manner that will not unreasonably increase the cost to this office. If an alternative can be found, it shall be implemented. If not, an alternative means of accounting for the expense and providing reimbursement to the employee in compliance with the Comptroller's Office Directives shall be explored.

2. Agency Purchase Request Forms.

In response to the conclusions and recommendations of the Comptroller's Office, the Staten Island Borough President's Office is modifying the Purchase Request Forms previously generated and adopted for use at my direction. I have directed the office staff involved in the decision process for purchases to insure that the approval of all purchases are now memorialized prior to the actual purchase. As was stated to your audit staff, all purchases were approved in advance but as a result of the costs for the purchase being changed, modified, or revised, during the actual purchase process, at times it might have appeared that approvals were made subsequent to the purchase. As a result of the directed modification of the Agency Purchase Request Form and my direction to staff, this will not occur in future.

3. & 4. Accurate Record of Equipment.

I have reviewed the concerns raised by the Comptroller's Staff and have directed my staff to insure the accurate recordation of all equipment presently in the office and purchased in future. The existing procedures have been tightened to direct that all equipment purchases shall be received by designated staff who shall

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Deputy Comptroller H. Tina Kim

promptly secure an approved tag to the equipment and thereafter record the equipment and tag on the inventory schedule.

5. & 6. Relinquished Items.

As a result of the previous audit conducted by the Comptroller's Office, a list of office equipment inventory was created and maintained in computerized form as an Access Database. In compliance with the direction of the previous audit staff, all items relinquished were so noted on the inventory list. In compliance with the Comptroller's Audit Staff current recommendations, I have directed my staff to insure that relinquished items will now be maintained on a separate list in the database and shall be removed from the current inventory list, which shall continue to maintain in database form with a printed back up.

7. Timely Deposit of Checks and Money Orders.

Initially, I wish to note that the "cash receipts" excepted by the Office of the Staten Island Borough President are limited to funds collected by the Topographical Office and are only in the form of money orders, bank checks and certified checks. I also wish to point out that in the past two years the funds collected by this office have dropped dramatically so that for stretches of days or weeks, few to no checks or money orders are received.

Notwithstanding the foregoing, and in compliance with the Comptroller's finding, I have directed my staff to insure that checks and money orders are timely deposited in the City General Account. As was noted to the Audit Staff, the Department of Finance requires that the collected funds be deposited with a bank located several miles from our office. The deposit of funds takes the time from my limited fiscal staff to travel to the required bank, make the deposit and then return to the office as the banks hours are within the normal working day. I have therefore, directed that when any sizable amount of funds are received or accumulated, that those funds be promptly deposited pursuant to the Comptroller's recommendations. I have also directed that prudence and reason should direct when my limited staff take time from their other responsibilities to venture to the bank to make the deposit of collected funds.

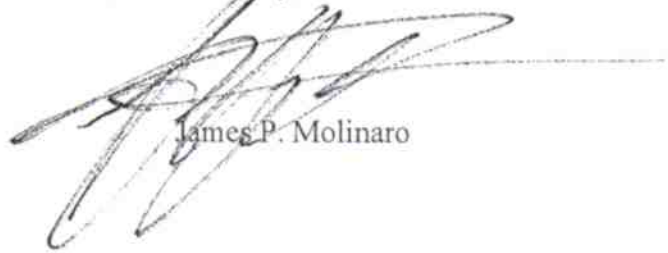
As our Topographical Office only collects fees on business days Monday through Thursday, and as there are only a small number of fees collected throughout the year, the above described system should well meet the practical application of the City's requirements for the prompt deposit of fees collected.

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Deputy Comptroller H. Tina Kim

I believe that this addresses all issues raised in your audit report and provides the necessary information regarding our agency implementation plans and the incorporation of your recommendations.

Once again thank you for your assistance in helping to pinpoint and rectify the issues raised and for your prompt resolution of this audit.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Molinaro', is written over a horizontal dashed line. The signature is stylized and cursive.

James P. Molinaro

JPM:JWZ/bav
By Telephone Facsimile 212-815-8559
& First Class Mail