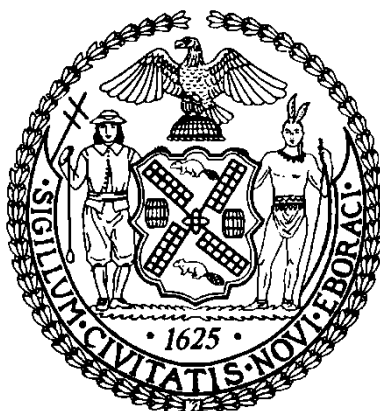


CITY OF NEW YORK OFFICE OF THE COMPTROLLER

**John C. Liu
COMPTROLLER**

FINANCIAL AUDIT

**Tina Kim
Deputy Comptroller for Audit**



Audit Report on the Financial and Operating Practices of Queens County Public Administrator's Office

FN12-075A

June 18, 2012

<http://comptroller.nyc.gov>



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

John C. Liu
COMPTROLLER

June 18, 2012

To the Residents of the City of New York:

In accordance with the Comptroller's responsibilities contained in Chapter 5, §93, of the New York City Charter, my office has audited the financial and operating practices of the Queens County Public Administrator's (QCPA).

The QCPA is responsible for administering the estates of individuals in Queens who die intestate (those who die without a will) or when no other appropriate individual is willing or qualified to administer the estate. As the estate administrator, the QCPA makes funeral arrangements, collects debts, pays creditors, manages the decedents' assets, searches for possible heirs, and files tax returns on behalf of the decedents. We audit public offices such as this as a means of ensuring that their operating practices follow applicable laws and guidelines fairly and consistently.

The results of our audit, which are presented in this report, have been discussed with QCPA officials, and their comments have been considered in preparing this report. Their complete written response is included in this report.

If you have any questions concerning this report, please e-mail my audit bureau at audit@comptroller.nyc.gov.

Sincerely,



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
Queens County Public Administrator's Office
FN12-075A**

AUDIT REPORT IN BRIEF

The objective of this audit was to determine whether the Queens County Public Administrator (QCPA) properly executed its fiduciary responsibilities and managed the estate activities in accordance with Article 11 of the New York State Surrogate's Court Procedures Act (SCPA), and other applicable State and City laws, rules, and regulations. There are five Public Administrators (PAs) in New York City, each of whom serves one of the City's five counties and reports to the county Surrogate's Court. Each PA is responsible for administering the estates of individuals in the county who die intestate (those who die without a will) or when no other appropriate individual is willing or qualified to administer the estate.

The QCPA is responsible for administering the estates of individuals in Queens who die intestate (those who die without a will) or when no other appropriate individual is willing or qualified to administer the estate. As the estate administrator, the QCPA makes funeral arrangements, collects debts, pays creditors, manages the decedents' assets, searches for possible heirs, and files tax returns on behalf of the decedents.

As of June 30, 2011, the QCPA maintained 2,389 open estates with assets valued at more than \$93.5 million. The June 30, 2011, City Comptroller's Comprehensive Annual Financial Report, reported for QCPA \$1,562,998 in revenues collected on behalf of the City and \$425,439 in appropriations received from the City consisting of \$417,654 for Personal Service expenditures and \$7,785 for Other Than Personal Service expenditures.

Audit Findings and Conclusions

The QCPA generally adheres to the administrative requirements of the SCPA, the Administrative Board for the Offices of the Public Administrator (Administrative Board Guidelines), and its own internal guidelines and procedures for managing the estates. The QCPA generally:

- Maintains a central record of all the estates it manages. In addition, each estate valued at more than \$500 is separately accounted for as required by the SCPA.

- Maintains accurate records of receipts and disbursements including supporting documentation such as invoices, bills from creditors, and proof of claims.
- Ensures bank deposits in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit were properly covered by the appropriate bank collateral.
- Files the required monthly and semi-annual reports with the Surrogate's Court, State Comptroller's Office, and City Comptroller's Office.
- Ensures that an independent CPA audit is conducted annually. In the June 30, 2011, independent CPA audit report, the auditors concluded that "In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Queens County Public Administrator as of June 30, 2011, and the changes in its assets for the year then ended."

Additionally, our review noted that the QCPA implemented the recommendations of our prior audit report.

Agency Response

In its response, QCPA stated, "The Public Administrator of Queens County has no objection or comment to the audit as proposed."

INTRODUCTION

Background

There are five PAs in New York City, each of whom serves one of the City's five counties and reports to the county Surrogate's Court. According to Article 11 SCPA, which governs PA and their offices, PAs are appointed by and may be removed by the judge or judges of the court and shall continue in office until removed. Each PA is responsible for administering the estates of individuals in the county who die intestate (those who die without a will) or when no other appropriate individual is willing or qualified to administer the estate.

The SCPA requires that the PA: deposit all commissions and costs received in the City treasury; make all books, records, and documents available to the City Comptroller for examination; file monthly account information on estates that have been closed or finally settled; and have an annual audit of the office performed by a CPA, the cost of which is to be funded by the City. In addition to following the SCPA provisions, PAs must comply with the requirements of the Administrative Board Guidelines. These guidelines include: rules for record keeping; cash, property, and other asset management; maintenance of suspense accounts; payment of fees; and the initial inspection of a decedent's premises.

PAs are required to submit a final accounting of all estate transactions to the Surrogate's Court of the county when an estate with assets having gross values of more than \$500 has closed or is in the process of being closed. A final accounting report documents all income and expenses associated with an estate and provides a record of the estate's financial transactions to aid the Surrogate's Court in its oversight of the PAs offices.

The City provides some funds for the operation of the PA's offices. To fund expenses that are not covered by the City's budget appropriations, the Administrative Board Guidelines authorize the PA to charge each estate an administrative fee of up to one percent of the gross value of each estate and to maintain a suspense account. These fees are deposited in a separate bank account and are used to supplement the PA budget. The Administrative Board Guidelines state that suspense account funds are to be used to pay expenses "necessary for the proper functioning of the office's operations and for the administration of estates." The funds can also be used as a loan to estates to pay expenses prior to the conversion of estate assets to cash.

The QCPA is responsible for administering the estates of individuals in Queens who die intestate (those who die without a will) or when no other appropriate individual is willing or qualified to administer the estate. As the estate administrator, the QCPA makes funeral arrangements, collects debts, pays creditors, manages the decedents' assets, searches for possible heirs, and files tax returns on behalf of the decedents. As of June 30, 2011, the QCPA maintained 2,389 open estates with assets valued at more than \$93.5 million. The June 30, 2011, City Comptroller's Comprehensive Annual Financial Report, reported for QCPA \$1,562,998 in revenues collected on behalf of the City and \$425,439 in appropriations received from the City consisting of \$417,654 for Personal Service expenditures and \$7,785 for Other Than Personal Service expenditures.

Objective

The objective of this audit was to determine whether QCPA properly executed its fiduciary responsibilities and managed the estate activities in accordance with Article 11 of the SCPA, and other applicable State and City laws, rules, and regulations.

Scope and Methodology Statement

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit 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.

The scope of this audit was Fiscal Year 2011. Please refer to the Detailed Scope and Methodology at the end of this report for the specific procedures and tests that were conducted.

Discussion of Audit Results

The matters covered in this report were discussed with QCPA officials during and at the conclusion of this audit. A preliminary draft report was sent to QCPA officials on May 3, 2012. Since QCPA was found to be in compliance with applicable estate administrative procedures, QCPA officials waived the exit conference. On May 25, 2012, we submitted a draft report with a request for written comments.

We received a written response from QCPA officials on June 7, 2012. In their response, QCPA officials stated that “The Public Administrator of Queens County has no objection or comments to the Audit as proposed.” The full text of their response is attached as an addendum to this report.

FINDINGS

The QCPA generally adheres to the administrative requirements of the SCPA, Administrative Board Guidelines, and its own internal guidelines and procedures for managing the estates. The QCPA generally:

- Maintains a central record of all the estates it manages. In addition, each estate valued at more than \$500 is separately accounted for as required by the SCPA.
- Maintains accurate records of receipts and disbursements including supporting documentation such as invoices, bills from creditors, and proof of claims.
- Ensures bank deposits in excess of the FDIC insurance limit were properly covered by the appropriate bank collateral.
- Files the required monthly and semi-annual reports with the Surrogate's Court, State Comptroller's Office, and City Comptroller's Office.
- Ensures that an independent CPA audit is conducted annually. According to the June 30, 2011, independent CPA report, the auditors concluded that "In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Queens County Public Administrator as of June 30, 2011, and the changes in its assets for the year then ended."

Additionally, our review noted that the QCPA implemented the following recommendations as cited in our prior audit report:

Previous recommendation #1: "Maintain a separate listing of MISC forms 1099 reportable payments issued to vendors."

Previous recommendation #2: "Issue the MISC forms 1099 cited in the report."

Previous recommendation #3: "Ensure that it complies with the Administrative Board Guidelines for searching decedents' residences and documents its efforts by completing all applicable sections of the Residence Investigation Report."

Previous recommendation #4: "Modify the Residence Investigation Report to specifically request the witness's name and signature."

Previous recommendation #5: "Ensure that a signed receipt is obtained from the landlord or landlord's agent upon the release of the decedent's premises."

Previous recommendation #6: "Have an independent CPA conduct annual audits that comply with SCPA requirements."

Previous recommendation #7: “Obtain a budgeting decision from the City as to whether it will fund the audit.”

Our review of the current implementation status of the prior audit recommendations noted that the QCPA:

- Maintained a separate listing of MISC forms 1099 reportable payments.
- Issued all required MISC forms 1099 for vendors who were paid a minimum of \$600.
- Prepared complete Residence Investigation Reports and ensured those forms were properly signed by a witness.
- Ensured that the Residence Investigation Reports included complete witness information. In cases where the witness refused to sign, the investigator made a notation. Based on the Residence Investigation Reports we obtained in our sample, we observed that all applicable sections which documented the search, included: signatures of the investigators, witness signature, case name and number, and a detailed inventory of the property removed from the residence (jewelry, cash and collectable items). The investigators also took digital photographs of the residence to document the search.
- Ensured the Residence Investigation Reports contained a section for the release of the property to the landlord, when applicable.
- Annually released an independent CPA audit that complied with SCPA requirements. The report on the Audited Financial Statements for the year ended June 30, 2011, stated that the audit was performed in accordance with generally accepted standards. Additionally, the report stated that, “we performed tests of its compliance with certain provisions of laws, regulations, and the New York State Surrogate’s Court Procedures Act (SCPA), Article 11, Section 1128, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.”
- Obtained City approval to fund the audit pursuant to SCPA, Article 11 §1109. Based on our review of FMS, we identified: Fund 001, Budget code 1000, Object code 499 which is used to fund the expenditure for the annual audit of the PA office. Our review indicated that QCPA spent \$8,500 for the audit and had a remaining balance in their budget of \$725.

QCPA Response: “The Public Administrator of Queens County has no objection or comment to the audit as proposed.”

DETAILED SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit 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.

The scope of our audit was Fiscal Year 2011. To obtain an understanding of the procedures and regulations with which the QCPA must comply, we reviewed: Article 11 of the SCPA; the Administrative Board Guidelines; Comptroller's Directive #11, "Principles of Internal Control"; Comptroller's Directive #28, "Reporting Requirements for Public Administrators", and other applicable State and City laws, rules, and regulations. We interviewed QCPA staff to gain an understanding of the office's practices relating to the handling of the estate and suspense-account funds. In addition, we interviewed QCPA officials and conducted a walk-through of QCPA's financial accounting system, Compu-Trust, which is used to manage the estate accounts and financial transactions of QCPA.

To assess QCPA internal controls over the administration of the estates and compliance with Article 11 of the SCPA and the Administrative Board Guidelines, we evaluated the information obtained in the above-mentioned interviews and reviewed office operating procedures. We also examined and conducted tests of QCPA record-keeping practices to determine the reliability of the controls in these areas. Additionally, in conducting our audit work, we considered the opinion issued by the QCPA's independent auditors Padilla & Company, LLP on the Financial Statements for the year ended June 30, 2011, and the "Report on Compliance and Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards."

For our test of compliance with the Administrative Board Guidelines procedures for handling estate accounts, we selected a sample of 20 formal closed estates with gross estate values of at least \$30,000, for a total sample value of \$9.8 million. This sample was selected from a population of 123 estates, valued at \$43.5 million. Additionally, we selected a sample of 10 informal closed estates with a total gross estates value of \$15,102, which was randomly selected from a population of 417 estates valued at \$1.3 million. Informal estates are classified as estates valued at less than \$30,000.

We determined whether each estate was accounted for separately, as required by the guidelines, and whether all required documents were in the estate files for each sampled estate. We checked whether the appropriate Letters of Administration were obtained from the Surrogate's Court and whether there was evidence indicating that the QCPA performed a search for beneficiaries of the decedent.

To determine whether the QCPA maintained adequate controls over estate administration, we reviewed the supporting documentation for each sampled estate. To ensure that all estate transactions were properly recorded, we traced the supporting documentation for each sampled estate to the Trial Balance Report, which details all income and expense transactions made for individual estates. In addition, we determined whether inquiry letters regarding the decedent's assets were sent to the decedent's financial institutions and other institutions (such as nursing homes). We also determined whether the QCPA correctly charged the estates for legal fees, Finance Administrator's costs and commissions, and QCPA commissions.

We determined whether the QCPA correctly filed final accountings for each sampled estate with the Surrogate's Court and correctly filed the monthly account information with the Comptroller's Office. We also ensured that the income and expenses reported on the final accountings reconciled with those reported on the Trial Balance Reports.

To determine whether the investigators followed the Administrative Board Guidelines when conducting investigations of decedents' residences, we obtained copies of the Investigator's Report prepared for all sampled estates requiring residence searches. We reviewed the Investigator's Reports to determine whether two QCPA investigators searched the decedents' residences, whether an independent witness was present at the time of the search, and whether the investigators sealed all entrances after their search. We also determined whether logs were maintained reflecting visits to the decedents' residences and whether detailed inventory lists were prepared identifying all items removed from the decedents' residences. In addition, for decedents' residences that contained furniture items, we determined whether an independent expert certification was obtained by the QCPA indicating that all property of value was removed from the decedents' residences before being released.

To assess QCPA controls over decedents' jewelry items stored at the QCPA office, we reviewed the system for collecting, recording, and securing these items removed from decedents' residences. We ascertained whether the QCPA prepared inventory lists of decedents' jewelry items and whether the properties were securely stored. We determined whether the QCPA maintained appraisals of decedents' assets and sale prices of decedents' properties sold at auction, including the allocation of those proceeds.

To determine whether jewelry items secured at the QCPA office were adequately accounted for and to verify their existence, we traced the items listed on the inventory list and appraisal sheets for 10 estates randomly selected to the items stored in the safe and storage room.

We determined whether the QCPA had procedures to identify and track reportable Internal Revenue Service (IRS) Form 1099-MISC payments and determined whether the QCPA correctly reported all calendar year 2010 Form 1099-MISC payments to the IRS.

We determined whether an annual audit of the QCPA was conducted by an independent CPA, in accordance with the SCPA, and that a copy was submitted to the City Comptroller's Office. We also determined whether the QCPA filed the required monthly, semi-annual, and

annual reports with the Surrogate's Court, State Comptroller's Office, and City Comptroller's Office.

We reviewed a previous audit of the QCPA entitled, *Audit Report on the Financial and Operating Practices of the Queens County Public Administrator's Office* (MD06-057F), issued April 24, 2006 to determine whether there were any recurring issues.

The results of our tests of the adequacy of QCPA estate management practices relating to our sampled 30 estates, while not statistically projected to the population of estates, provided us a reasonable basis to assess the adequacy of QCPA estate management practices.



Queens County Office of the Public Administrator

Lois M. Rosenblatt, Esq.
Public Administrator

Susan B. Brown
Deputy Public Administrator

Gerard J. Sweeney, Esq.
Counsel

June 7, 2012

City of New York
Office of the Comptroller
Attention: Tina Kim, Bureau of Audit
One Centre Street, Room 1100
New York, New York 10007-2341

Re: Audit Report on the
Financial and Operating Practices of
Queens County Public Administrator's Office
FN12-075A

Dear Ms. Kim:

The Public Administrator of Queens County has no objection or comment to the audit as proposed.

Very truly yours,

LOIS M. ROSENBLATT