

AUDIT REPORT

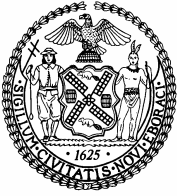


CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF FINANCIAL AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

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

FP06-138A

June 5, 2007



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

WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the Comptroller's responsibilities contained in Chapter 5, §93, of the New York City Charter, my office has audited the compliance of the Bronx Borough President's Office with certain purchasing, cash control, and inventory procedures.

New York City's five Borough Presidents are elected by the people of their respective boroughs for a term of four years and are the executive officials of their boroughs. We audit agencies such as these to ensure that they comply with procurement rules and cash control procedures.

The results of our audit, which are presented in this report, have been discussed with the Borough President's Office officials, and their comments have been considered in the preparation of this report. Their complete written response is attached to this report.

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 e-mail us 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: FP06-138A
Filed: June 5, 2007

Table of Contents

AUDIT REPORT IN BRIEF 1

Audit Findings and Conclusions 1

INTRODUCTION..... 3

Background..... 3

Objectives 3

Scope and Methodology 3

Discussion of Audit Results 5

FINDINGS AND RECOMMENDATIONS 6

Awarded Contract Lacked Bidding Documentation 6

Recommendation..... 7

Sales Tax Paid 7

Recommendation..... 7

Improper and Missing Object Codes 7

Recommendation..... 7

Imprest Fund Checks Lacked Documentation..... 8

Recommendation..... 8

Cash Control Weaknesses 8

Table I..... 8

Recommendation..... 9

Inventory Control Weaknesses..... 9

Recommendation..... 9

ADDENDUM Office of the Bronx Borough President Response

*The City of New York
Office of the Comptroller
Bureau of Financial Audit*

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

FP06-138A

AUDIT REPORT IN BRIEF

This audit determined whether the Bronx Borough President's Office (Borough President's Office) is complying with certain purchasing and inventory procedures as set forth in the New York City Comptroller's Internal Control and Accountability Directives (Comptroller's Directives) #3 and #24; applicable Procurement Policy Board (PPB) rules; and the Department of Investigation (DOI) *Standards for Inventory Control and Management*. In addition, the audit determined whether the Borough President's Office maintained controls over the cash receipts from map sales and topographical services according to Comptroller's Directive #11, and over discretionary funds expenditures according to Comptroller's Directive #23.

Audit Findings and Conclusions

The Borough President's Office generally adhered to Comptroller's Directives #3, #11, #23, and #24; applicable PPB rules; and the Department of Investigation *Standards for Inventory Control and Management*. In addition, our examination of the Borough President's Office Other Than Personal Service (OTPS) expenditures disclosed no instances in which moneys were improperly used. However, the Borough President's Office did not always comply with certain purchasing, cash control, and inventory procedures. Specifically the Borough President's Office:

- lacked bidding documentation for one of its eleven awarded contracts;
- paid \$26.03 in sales tax on two vouchers;
- charged the wrong object code for five vouchers, totaling \$6,916;
- lacked supporting documentation for two of the 63 imprest fund checks issued;
- did not deposit cash collected on 391 sales on the same business day it was received;
and
- did not maintain complete and accurate inventory records.

We recommend that the Borough President's Office should ensure that:

- Documentation of bidding is maintained on file.
- Sales tax is excluded from all payments made to vendors.
- All payments are charged to the correct object code.
- All imprest fund checks are adequately supported with proper documentation.
- Cash collected is deposited on the same business day it is received.
- Complete and accurate inventory records are maintained.

INTRODUCTION

Background

New York City's five Borough Presidents are elected by the people of their respective boroughs for a term of four years and are the executive officials of their boroughs. The powers of each Borough President include preparing and reviewing budget proposals; recommending capital projects; holding public hearings on matters of public interest; consulting with the Mayor and the City Council on the preparation of the City's executive and capital budgets; reviewing and recommending applications and proposals for the use, development, or improvement of land within the borough; preparing environmental analyses required by law; providing technical assistance to the borough's community boards; monitoring and making recommendations regarding the performance of contractual services in the borough; and proposing legislation to be introduced in the City Council.

During Fiscal Year 2005, OTPS expenditures for the Borough President's Office amounted to \$1,224,328.

Objectives

This audit was conducted to determine whether the Borough President's Office is complying with certain purchasing and inventory procedures as set forth in the Comptroller's Directives #3, and #24; applicable PPB rules; and the DOI *Standards for Inventory Control and Management*. In addition, the audit determined whether the Borough President's Office maintained controls over the cash receipts from map sales and topographical services according to Comptroller's Directive #11, and over discretionary funds expenditures according to Comptroller's Directive #23.

Scope and Methodology

This audit covered the period July 1, 2004, through June 30, 2005.

To obtain an understanding of the purchasing and inventory procedures and regulations with which the Borough President's Office is required to comply, we reviewed relevant provisions of: Comptroller's Directive #3, "Procedures for the Administration of Imprest Funds,"; Directive #11, "Cash Accountability and Control"; Directive #23, "Monitoring and Accountability of Discretionary Funds Provided to Borough Presidents"; Directive #24, "Agency Purchasing Procedures and Controls"; applicable PPB rules; and the DOI *Standards for Inventory Control and Management*. We interviewed staff at the Borough President's Office to obtain an understanding of the purchasing procedures, to understand how physical assets are safeguarded, and to identify the controls over cash receipts and discretionary funds.

Tests of Compliance with Comptroller's Directives #3 and #24 and PPB rules

We examined all 130 purchase documents issued by the Borough President's Office (14 purchase orders; 11 contracts; 103 micro-purchase documents for purchases of \$5,000 or less; and 2 small purchase documents for a purchase of at least \$2,500 using other than capital funds) and their 339 corresponding vouchers. We also examined all 35 miscellaneous vouchers and all 21 imprest fund vouchers issued by the Borough President's Office during our audit period. Each purchase document and voucher was examined 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 document was used to initiate the purchase of goods or services. Each of the 395 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; and bids were obtained when required by PPB rules. For the 35 miscellaneous vouchers and 21 imprest fund vouchers, we also determined whether the vouchers were issued for only allowable purposes.

To determine whether the Borough President's Office was in compliance with imprest fund procedures specified in Comptroller's Directive #3, we reviewed all bank statements for the imprest funds for Fiscal Year 2005. All canceled checks listed on the bank statements were examined for the presence of: two authorized signatures; a specific payee (as opposed to "bearer" or "cash"); an endorsement; and a "void after 90 days" inscription. We also determined whether appropriate bank reconciliations were performed and whether individual imprest fund expenditures were within the \$250 allowable amount specified in Comptroller's Directive #3.

Test of Compliance with Comptroller's Directive #11 for Cash Receipts

We examined all 483 sales receipts, totaling \$121,344, for map sales and topographical services issued by the Borough President's Office during Fiscal Year 2005 to ascertain whether they were pre-printed and in sequential order and whether all of the sales receipts were accounted for. We also examined all of the corresponding cash receipts documents and bank deposit slips to check whether all sales were properly recorded and all cash collected deposited the same or following day into the Treasury Collection Account, as required by Comptroller's Directive #11.

Test of Compliance with Comptroller's Directive #23, Discretionary Funds (Grants)

We examined all three grants issued by the Borough President's Office during Fiscal Year 2005 to ensure that adequate supporting documentation was maintained, grants were properly monitored, and funds were expended as intended in the grant agreement. We also examined the records to determine whether the awarding of discretionary funds could result in a possible conflict of interest. In addition, we inspected the grant records to establish whether a reporting system existed to account for the progress of associated projects; grantee administrative costs were checked for reasonableness; and grants were approved by the Borough President.

Tests of Inventory Records and Compliance with DOI Inventory Standards

We randomly selected 25 of 249 major equipment items (including computers, monitors, printers, scanners, laptops, fax machines, DVD players, televisions, and cars) listed on the Borough President's Office most current inventory records and determined whether they were present at the office. We also determined whether 25 other equipment items that we observed in the Borough President's Office during our walkthrough were listed on the Borough President's Office inventory records. In addition, we checked whether all items examined were properly tagged as property of the Borough President's Office. Finally, we ascertained whether the 25 major equipment items purchased during our audit period were properly recorded on the Bronx Borough President's Office inventory listing. The results of the above tests, while not projectable to all major equipment items, provided a reasonable basis to assess the Borough President's Office's controls over inventory as specified in the DOI *Standards for Inventory Control and Management*.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. This audit was performed in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

Discussion of Audit Results

The matters covered in this report were discussed with officials of the Borough President's Office during and at the conclusion of this audit. A preliminary draft report was sent to the Borough President's Office on February 8, 2007. On February 23, 2007, we received written notice from the Borough President's Office officials waiving their right to an exit conference. On March 7, 2007, we submitted a draft report to the Borough President's Office officials with a request for comments. We received written comments from the Borough President on March 20, 2007, in which he agreed with the audit recommendations and described the specific steps that have been or will be taken to address the exceptions noted in the report. It also stated that the report will be used as a learning and development tool. The full text of the comments is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

The Borough President's Office generally adhered to Comptroller's Directives #3, #11, #23, and #24; applicable Procurement Policy Board (PPB) rules; and the Department of Investigation *Standards for Inventory Control and Management*. In this regard:

- Vouchers and purchase documents were properly approved and authorized;
- Appropriate documentation was maintained to support the sampled vouchers;
- All cash collected was deposited to the Treasury Collection Account;
- Sales receipts were pre-printed and generally used in sequence;
- Grants were approved by the Borough President;
- Grantee administrative costs were checked for reasonableness;
- Imprest fund checks had the required authorized signatures, designated specified payees, and had the inscription "void after 90 days";
- Imprest fund purchases did not exceed \$250;
- All imprest fund checks were issued for proper expenditures; and
- Imprest fund bank accounts were appropriately reconciled.

In addition, our examination of the Borough President's Office OTPS expenditures disclosed no instances in which moneys were improperly used. However, the Borough President's Office did not always comply with certain purchasing, cash control, and inventory procedures. These instances of noncompliance, which did not detract from our opinion, are discussed in detail in the following sections of this report.

Awarded Contract Lacked Bidding Documentation

During Fiscal Year 2005, the Borough President's Office lacked bidding documentation for one of its eleven awarded contracts. This contract, totaling \$20,000, was for computer services.

The PPB rules state that any purchase valued at more than \$5,000 is to be awarded to the lowest responsive and responsible bidder or to a vendor who presented the most beneficial offer. The PPB rules also require that the record of bids be maintained on file at the agency. Without

the proper documentation, it would be impossible to evaluate City agency adherence to applicable laws and regulations.

Recommendation

1. The Borough President's Office should ensure that documentation of bidding is maintained on file.

Borough President's Office Response: "This agency will ensure that all documentation for bidding remains in the files."

Sales Tax Paid

The Borough President's Office paid \$26.03 in sales tax on two vouchers.

Comptroller's Directive #24 states that it is the responsibility of the person who approves a payment voucher to ensure that taxes are not included in the payments made.

Recommendation

2. The Borough President's Office should ensure that sales tax is excluded from all payments made to vendors.

Borough President's Office Response: "This recommendation has been implemented and agency staff has been instructed to carefully review all invoices to make sure that sales tax is not being paid. The sales tax that was paid has been reimbursed and has been deposited into the city's account."

Improper and Missing Object Codes

The Borough President's Office charged the wrong object code for five vouchers, totaling \$6,916, issued during our audit period and did not assign an object code to one of the vouchers.

Using incorrect object codes does not allow agencies to accurately categorize the type and amount of a particular item expense during the fiscal year. This can compromise management's ability to plan future budgets.

Recommendation

3. The Borough President's Office should ensure that all payments are charged to the correct object code.

Borough President's Office Response: "Staff has been directed to carefully examine the object codes and their descriptions to properly charge the correct codes."

Imprest Fund Checks Lacked Documentation

Two of the 63 imprest fund checks issued by the Borough President’s office during our audit period were missing supporting documentation totaling \$91.00.

Comptroller’s Directive #24 states that agencies must maintain all documentation received from vendors including bids, invoices, and any vendor-signed or vendor-generated documentation. Without invoices or bills on file to support the vouchers that are paid, we cannot determine whether all funds are being used for appropriate purposes.

Recommendation

- 4. The Borough President’s Office should ensure that all imprest fund checks are adequately supported with proper documentation.

Borough President’s Office Response: “This agency agrees and has implemented steps to ensure compliance.”

Cash Control Weaknesses

During Fiscal Year 2005, the Borough President’s Office issued 483 sales receipts, totaling \$121,344, for the sale of maps and topographical services. We found that proceeds from only 90 sales receipts were deposited in the bank in a timely manner, as mandated by Comptroller’s Directive #11. Cash collected on 391 sales, 81 percent of total receipts, were not deposited on time. Two of sales receipts were not dated, and we could not determine whether they were deposited in a timely manner. Table I below, summarizes our findings in detail:

Table I
Business Days Elapsed between Collection of Cash and Bank Deposit

	On Time	Business Days Elapsed Between Cash Collection and Deposit						Total <i>Not</i> Deposited on Time
	1 - 2	3 - 10	11 - 20	21 - 30	31 - 40	41 - 50	51 and more	
Number of Sales Receipts	90 *	245	77	36	14	11	8	391

* As mandated by Comptroller’s Directive #11

Comptroller’s Directive #11 indicates the guidelines for internal control and accountability of cash. It requires that in general, all cash collections should be deposited into the bank account on the same business day that they are received. Cash transactions are vulnerable to breaches in internal controls and open to abuse.

Recommendation

5. The Borough President's Office should ensure that cash collected is deposited on the same business day it is collected.

Borough President's Office Response: "Please be advised that the Bronx Borough President's Bureau of Topography has improved its cash control practices since FY'05, the year for which the audit was conducted. Staff instructions to submit all cash receipts for same day delivery to the Fiscal Unit are being closely monitored and performance has improved. Also, the Fiscal Unit staff has been instructed to deposit each day and its compliance has also improved."

Inventory Control Weaknesses

Our examination of a sample of 75 items—25 from the Borough President's Office's inventory records, 25 observed at the time of the walkthrough, and 25 purchased by the Borough President's Office during our audit period—found:

- three items had an incorrect serial number on the inventory list;
- two items had an incorrect asset tag number on the inventory list;
- one item was not tagged as property of the Borough President's Office;
- one item was not found at the specified location; and
- five items were not included on the inventory list.

In addition, a review of 249 major equipment items included on the Borough President's Office inventory list revealed that the records were incomplete, inaccurate, and contained identification errors. Specifically:

- there was no inventory list for printers;
- two items had the same asset tag number;
- two items had no asset tag number; and,
- 55 of the 249 items had no serial/VIN number.

Section 28 of the DOI *Standards for Inventory Control and Management* states, "Permanent records are maintained, centrally, to track all non-consumable goods issued to each agency unit, including type of equipment, manufacturer, serial number, agency control number, condition, location, date issued, and the person(s) responsible for maintenance."

Recommendation

6. The Borough President's Office should ensure that complete and accurate records of all equipment are maintained.

Borough President's Office Response: "This recommendation is being implemented. Corrections have been made to the agency's inventory as per the Comptroller's findings, the printer inventory is now included in the computer inventory listing, the agency's vehicles are listed with their VINs. The agency is planning to purchase an automated inventory control and tracking system, which would enable us to monitor the inventory and its movement more efficiently."



OFFICE OF THE BRONX BOROUGH PRESIDENT
THE BRONX COUNTY BUILDING
851 GRAND CONCOURSE
BRONX, NEW YORK 10451

ADOLFO CARRIÓN, JR.
BOROUGH PRESIDENT

TEL. 718-590-3500
FAX. 718-590-3537
E-MAIL: acarrión@bronxbp.nyc.gov

March 16, 2007

Mr. John Graham
Deputy Comptroller
Audits, Account & Contracts
Office of the Comptroller
One Centre Street
New York, NY 10007

**Re: Audit Report on the Financial and Operating Practices of
The Bronx Borough President Office
FP06-138A**

Dear Mr. Graham,

I am in receipt of the Draft audit report for this agency. As per your request, the following will address each recommendation found in the report:

Finding #1. Awarded Contract Lacked Bidding Documentation.

Recommendation: the Borough President Office should ensure that documentation of bidding is maintained on file.

This agency will ensure that all documentation for bidding remains in the files.

Finding #2. Sale Tax Paid.

Recommendation: the Borough President Office should ensure that sales tax is excluded from all payments made to vendors.

This recommendation has been implemented and agency staff has been instructed to carefully review all invoices to make sure that sales tax is not being paid.

The sales tax that was paid has been reimbursed and has been deposited into the city's account.

Page 2
Mr. John Graham
March 16, 2007

Finding #3. Improper and Missing Object Codes.

Recommendation: The Borough President Office should ensure that all payments are charged to the correct object code.

Staff has been directed to carefully examine the object codes and their descriptions to properly charge the correct codes.

Finding #4. Imprest Fund Checks Lacked Documentation.

Recommendation: The Borough President Office should ensure that all Imprest Fund checks are adequately supported with documentation.

This agency agrees and has implemented steps to ensure compliance.

Finding #5. Cash Control Weakness.

Recommendation: the Borough President Office should ensure that cash collected is deposited on the same business day it is collected.

Please be advised that the Bronx Borough President's Bureau of Topography has improved its cash control practices since FY'05, the year for which the audit was conducted. Staff instructions to submit all cash receipts for same day delivery to the Fiscal Unit are being closely monitored and performance has improved. Also, the Fiscal Unit staff has been instructed to deposit each day and its compliance has also improved.

Finding #6. Inventory Control Weaknesses.

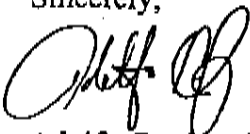
Recommendation: The Borough President Office should ensure that complete and accurate records of all equipment are maintained.

This recommendation is being implemented. Corrections have been made to the agency's inventory as per the Comptroller's findings, the printer inventory is now included in the computer inventory listing, the agency's vehicles are listed with their VINs. The agency is planning to purchase an automated inventory control and tracking system, which would enable us to monitor the inventory and its movement more efficiently.

I would like to thank the auditors for their professionalism, thoroughness, patience and recommendations.

The report will be used as a learning and development tool. Its recommendations will be implemented.

Sincerely,



Adolfo Carrion, Jr.