

AUDIT REPORT



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

Audit Report on the Financial and Operating Practices of the 12 Manhattan Community Boards

MJ04-134A

December 13, 2005



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 responsibilities of the Comptroller contained in Chapter 5, § 93, of the New York City Charter, my office has audited the compliance of the 12 Manhattan Community Boards with applicable City payroll, timekeeping, purchasing, and inventory procedures.

There are 12 Community Boards for each of the 12 Community Districts throughout the borough of Manhattan. Each Board is headed by a Chairperson and employs a District Manager to manage the day to day operations of the Board. We audit agencies such as these to ensure that they comply with City personnel and procurement rules.

The results of our audit, which are presented in this report, have been discussed with officials of the Boards as well as the Manhattan Borough President's Office; and their comments have been considered in preparing this report. Their complete written responses are 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 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/ec

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

**Audit Report on the
Financial and Operating Practices of the
12 Manhattan Community Boards**

MJ04-134A

AUDIT REPORT IN BRIEF

This audit determined whether the 12 Manhattan Community Boards are complying with applicable payroll, timekeeping, purchasing, and inventory procedures, as set forth in the Office of Payroll Administration policies and procedures, the Procurement Policy Board Rules (PPB Rules), the New York City Comptroller's *Internal Control and Accountability Directives*, and the Department of Investigation's *Standards for Inventory Control and Management*. The scope of this audit covered the period July 2003 through December 2004.

Audit Findings and Conclusions

While the 12 Boards generally adhered to some of the requirements of the Office of Payroll Administration policies and procedures, the PPB Rules, and the New York City Comptroller's *Internal Control and Accountability Directives* with respect to payroll, timekeeping, and purchasing, we found that, overall, there were deficiencies regarding their general compliance with those requirements.

Regarding the areas of adherence, we found that the Boards ensured that all employees are bona fide; accurately paid employees upon separation from City service; generally did not permit employees to carry compensatory time beyond the 120-day limit; and generally ensured that employee leave use and accrual were accurately recorded.

However, we found that the Boards did not adhere to a number of requirements specified in the above-mentioned rules and regulations. These findings of noncompliance included the following areas: purchasing (e.g., payments not supported by invoices, employee reimbursements not properly approved, Imprest Fund rules not followed, inappropriate use of miscellaneous vouchers); inventory (e.g., some items not included in inventory list, some items on list not found, items lacking inventory tags); timekeeping (e.g., employee weekly time reports not reconciled with daily attendance records); and personnel (some employees paid below the minimum or above the maximum salary for their titles).

It should be noted that the degree of noncompliance varied among the Boards. Certain findings were more pervasive at some Boards than at others. Additionally, for each Board there were varying levels of noncompliance among the findings relevant to that Board. Based on our discussions with the District Managers of the various Boards throughout the borough, one of the key factors contributing to weaknesses we identified at some of the Boards was the managers' stated unfamiliarity with proper City procedures.

Audit Recommendations

To address these issues, we make one recommendation to the Manhattan Borough President's Office and 21 recommendations to those Boards that had weaknesses found during the audit.

INTRODUCTION

Background

There are Community Boards for each of the 59 Community Districts throughout the five boroughs of New York City. Each Community Board (Board) has up to 50 non-salaried members who are appointed by the Borough President of the relevant borough. To be a Board member, a person must reside, work, or have significant interests in the district. Each Board has a Chairperson and hires a District Manager as its chief executive officer. The District Manager's responsibilities include assisting the Board in the hiring of an administrative staff, supervising the staff, and managing the daily operations of the district office. Each Borough President's Office provides administrative assistance to the Boards of its borough.

The borough of Manhattan has 12 Boards—Boards #1 through #12. Each Board has a District Manager and at least one full-time clerical staff person.

Table I, below, lists each Board's Personal Service (PS) and Other Than Personal Service (OTPS) budgeted expenditures for Fiscal Year 2004, covering the period July 1, 2003, through June 30, 2004, as reported in the Comptroller's annual financial report.

Table I

Summary of City-Funded Expenditures for the 12 Manhattan Boards
Fiscal Year 2004

	Personal Services	Other Than Personal Services (excluding rent and energy)	Rent and Energy	Total Expenditures
Board #1	\$ 172,294	\$ 8,264	\$ -	\$ 180,558
Board #2	165,184	15,374	54,740	235,298
Board #3	156,932	25,160	4,541	186,633
Board #4	145,458	35,100	39,160	219,718
Board #5	151,503	29,055	41,373	221,931
Board #6	153,286	24,434	80,635	258,355
Board #7	157,362	25,821	2	183,185
Board #8	140,953	39,605	95,700	276,258
Board #9	129,313	51,245	18,000	198,558
Board #10	122,212	58,346	48,596	229,154
Board #11	157,300	23,258	8,090	188,648
Board #12	144,619	35,939	-	180,558
Totals	\$ 1,796,416	\$ 371,601	\$ 390,837	\$ 2,558,854

Objective

This audit was conducted to determine whether the 12 Manhattan Boards are complying with applicable payroll, timekeeping, purchasing, and inventory procedures, as set forth in the Office of Payroll Administration policies and procedures, the Procurement Policy Board Rules (PPB Rules), the New York City Comptroller's *Internal Control and Accountability Directives*, and the Department of Investigation's *Standards for Inventory Control and Management*.

Scope and Methodology

This audit covered the period July 2003 through December 2004.

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

- PPB Rules, Chapter 3, §3-08, "Small Purchases"
- *Leave Regulations for Employees Who Are Under the Career and Salary Plan*
- *Leave Regulations for Managerial Employees*
- Department of Citywide Administrative Services (DCAS) *Time and Leave Regulations*
- Comptroller's Directive #1, "Principles of Internal Control"
- Comptroller's Directive #3, "Procedures for the Administration of Imprest Funds"
- Comptroller's Directive #11, "Cash Accountability and Control"
- Comptroller's Directive #13, "Payroll Procedures"
- Comptroller's Directive #14, "Special Audit Procedures for Management Lump Sum Payments in Lieu of Terminal Leave Payments"
- Comptroller's Directive #24, "Purchasing Function—Internal Controls"
- Comptroller's Directive #24 (revised), "Agency Purchasing Procedures and Controls"¹
- Comptroller's Directive #25, "Guidelines for the Use and Submission of Miscellaneous Vouchers"²
- Department of Investigation's *Standards for Inventory Control and Management*
- *Procedural Guidelines for Community Boards*, a reference manual promulgated by the Mayor's Office

To obtain an understanding of the Boards' payroll, timekeeping, and purchasing procedures and to determine how the Boards safeguard their physical assets, we interviewed the District Managers and other employees of all of the Boards.

¹ Effective as of April 15, 2004

² The issuance of the revised Comptroller's Directive #24, "Agency Purchasing Procedures and Controls," superseded Directive #25, "Guidelines for the Use and Submission of Miscellaneous Vouchers." The current guidelines for the use of miscellaneous payment vouchers is incorporated into Comptroller's Directive #24.

To determine whether employee leave balances recorded on the Payroll Management System (PMS) were accurate, we reviewed attendance records of all 44 employees of the 12 Boards—12 managerial and 32 non-managerial employees—for the randomly selected month of May 2004. We examined the attendance records for completeness, accuracy, and evidence of supervisory review. We compared attendance records to the PMS Employee Leave Details Report (PEILR721) to ensure that all reportable timekeeping transactions were accurately posted on PMS.

For the 44 employees mentioned above, we reviewed compensatory-time transactions and annual leave use for evidence of proper approvals and posting. We determined whether compensatory time was used within 120 days, as required, and if not, whether it was transferred to sick leave. We also determined whether medical documentation, whenever required by City regulations, existed to appropriately support sick leave use. Finally, we determined whether the Boards followed City regulations with regard to employees who have excess annual leave balances (i.e., more than two years' worth of accruals).

To determine whether proper approvals were obtained when the employees were hired and that they are bona fide, we reviewed the employees' personnel files for all 48 employees employed during the year.

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

To determine whether employees are receiving salaries that are within the salary ranges of their civil service titles, we compared the salaries of all of the Boards' employees to the minimum and maximum salary amounts of their civil service titles included in the City Collective Bargaining Agreement. We also reviewed salary history reports of the Boards' employees covering the period July 1, 2003, through September 1, 2004, to determine whether pay increases were accurately calculated and properly authorized.

To ensure that the Boards complied with §3-08 of the PPB Rules and Comptroller's Directive #24 when making purchases, we primarily examined payment vouchers (PVs) issued during June 2004. (For purchases initiated subsequent to April 15, 2004, we used the guidelines in the revised Directive #24.) We selected the month of June so as to assess controls operating at the end of the fiscal year. However, for those Boards that did not have PVs in June 2004, we selected a judgmental sample (based on non-routine expenditures or comparatively high payment amounts) of payments made during the year. In addition, for those Boards in which we found controls to be significantly weak based on the vouchers examined, we expanded testing to determine whether those weaknesses existed during other times of the year. In total, we examined 64 payment vouchers—totaling \$58,776—for the purchase of goods of the 259 PVs issued by the Boards in Fiscal Year 2004. We examined each voucher for the requisite approvals and authorizations, and for evidence that the transactions were for proper business purposes. We also reviewed the supporting documentation (i.e., vendor invoices) for each voucher. We determined whether each voucher was correctly coded and whether any duplicate vouchers were processed.

We selected and examined 123 miscellaneous vouchers (MVs) of the 334 issued by the Boards during Fiscal Year 2004 to determine whether the Boards used them for allowable purposes as identified in Comptroller's Directives #24 and #25. (Subsequent to April 15, 2004, Directive #25 was superseded by Directive #24.) We selected the month of June as our initial sample month so as to assess controls operating at the end of the fiscal year. However, for those Boards that did not have MVs in June 2004, we randomly selected another month during the year. In addition, for those Boards in which we found controls to be significantly weak during the sample month selected, we expanded testing to determine whether those weaknesses existed during other times of the year.

To determine whether the Boards were in compliance with Imprest Fund procedures specified in Comptroller's Directive #3, "Procedures for the Administration of Imprest Funds," we examined payment vouchers for 38 Imprest Fund payments—totaling \$4,935—made in one month. We selected the payments made in June 2004 to assess controls operating at the end of the fiscal year. However, for those Boards that did not have Imprest Fund payments in June 2004, we randomly selected another month during the year. In addition, for those Boards in which we found controls to be significantly weak during the sample month selected, we expanded testing to determine whether those weaknesses existed during other times of the year. We also examined the related canceled checks for authorized signatures and amounts; a specified payee (as opposed to "bearer" or "cash"); the eligibility of the expenditure; an endorsement; and a "void after 90 days" inscription on each check. We also determined whether the Boards performed monthly bank reconciliations, and whether Imprest Fund expenditures exceeded the allowable amounts for a particular month, vendor, or item.

To determine whether the Boards maintained complete inventory lists, we selected and examined all major computer and office equipment on hand as identified in the lists. We determined whether (1) all items present were recorded on the Boards' inventory lists and (2) all items recorded on the inventory lists were present at the stated locations. We also checked each piece of equipment for an affixed identification tag identifying it as the property of the relevant Board. We reviewed all of the Boards' Fiscal Year 2004 purchase orders for computers and accessories, and traced the purchased items to the Boards' inventory lists.

As noted, we conducted numerous and varied tests to satisfy the audit objectives. Our report discloses the actual number of instances of noncompliance based on the various populations we sampled. Those populations were not sufficiently large or uniform to make statistical projection of our sample results meaningful.

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 the District Managers of the 12 Manhattan Boards and the Manhattan Borough President's Office (MBPO) during and at the conclusion of this audit. A preliminary draft was sent to officials of the Boards and the MBPO and discussed at an exit conference on September 23, 2005. On October 20, 2005, we submitted a draft report to officials of the Boards and the MBPO with a request for comments. We received written responses from Boards #1, #3, #6, #7, #8, #9, and from the MBPO. The remaining six Boards (#2, #4, #5, #10, #11, and #12) did not respond to this report.

The responding Boards and the MBPO generally agreed with the audit's findings. In their responses, the Boards and the MBPO described the steps that they have taken or will take to implement the audit's recommendations. (However, the Boards did not address some of the recommendations in their responses.)

The full texts of the responses from Boards #1, #3, #6, #7, #8, #9, and the MBPO have been included as addenda to this report.

FINDINGS AND RECOMMENDATIONS

While the 12 Boards generally adhered to some of the requirements of the Office of Payroll Administration policies and procedures, the PPB Rules, and the New York City Comptroller's *Internal Control and Accountability Directives* with respect to payroll, timekeeping, and purchasing, we found that, overall, there were deficiencies regarding their general compliance with those requirements. Regarding the areas of adherence, we found that the Boards:

- ensured that all employees are bona fide;
- accurately paid employees upon separation from City service;
- generally did not permit employees to carry compensatory time beyond the 120-day limit; and
- generally ensured that employee leave use and accrual were accurately recorded.

However, we found that the Boards did not adhere to a number of requirements specified in the above-mentioned rules and regulations. These findings of noncompliance are summarized in Table II, below.

Table II
Findings of Noncompliance with
Timekeeping, Purchasing, Payroll, and Inventory Procedures

Audit Area	Finding #	Audit Finding	Noted at
Purchasing	1	Payments made not supported by invoices	Boards #3, #4, #5, #9, #10, #11, and #12
	2	Employee reimbursements not properly approved	Boards #3, #4, #8, and #10
	3	Bidding procedures not always followed	Boards #4, #5, #6, #9, #11, and #12
	4	Requisite approvals and appropriate authorizations not always obtained	Boards #3, #5, #10, and #12
	5	Incorrect object codes used	Boards #1 - #10 and #12
	6	Inappropriate use of miscellaneous vouchers	Boards #1 - #10 and #12
	7	Imprest Fund rules not followed	Boards #1, #3, #6, #8, #9, and #12
Cash Receipts	8	Inadequate controls over fund-raising funds	Board #2
Inventory	9	Lists lacking all required information	Boards #1, #3 - #9, #11, and #12
	10	Some items on lists not found	Boards #1, #4, #7, #8, #10, #11, and #12
	11	Some items in inventory not included on lists	Boards #1 - #12
	12	Items lacking identification tags	Boards #1 - #5, and #7 - #12
Leave time (annual, sick, and compensatory)	13	Employees' weekly time reports not reconciled with daily attendance records	Boards #1, #2, #5, #6, #9, #10, #11, and #12
	14	Employees allowed to use undocumented sick leave after being placed on sick-leave restriction (this finding relates to the MBPO)	Boards #2, #3, #6, #7, #8, #9, #11, and #12
Personnel	15	Employees paid below the minimum or above the maximum salary for their titles	Boards #2, #3, #4, #6, and #7

At the entrance conference for this audit, many of the District Managers stated that they were unfamiliar with City regulations regarding the above areas. Of the 15 findings indicated in Table II, each Board had at least eight. However, it should be noted that the degree of noncompliance varied among the Boards. Certain findings were more pervasive at some Boards than at others. Additionally, for each Board, there were varying levels of noncompliance among the findings relevant to that Board.

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

Purchasing Weaknesses

We found a number of purchasing weaknesses at all of the Boards (#1 through #12). These weaknesses included: bidding procedures not being followed; improper approvals and authorizations of purchase orders; incorrect object codes being used; some purchases not adequately supported by invoices; improper use of miscellaneous vouchers; and Imprest Fund procedures not being followed.

Payments Made Not Supported by Invoices

We found that payments made at seven Boards (#3, #4, #5, #9, #10, #11, and #12) were not always supported by invoices. Of the 122 sampled payments made by these Boards, invoices either were not found or the amounts did not agree with 43 of them, including a duplicate payment at Board #9 for \$576 for a postage meter rental. In addition, Board #5 failed to track the available funds prepaid to two vendors—CitySoft, Inc., and Staples. In both cases, the Assistant District Manager relied on the vendor to inform them of the amount available. In one case, the Board appears to have overpaid the vendor by more than \$1,200 over a three-year period. Table III, below, summarizes the results of our analysis.

Table III

Boards That Had Payments Inadequately Supported by Invoices

Board	No. of Payments Reviewed	Dollar Amount of Payments	No. of Payments Inadequately Supported by Invoices	Dollar Amount of Unsupported Payments
3	12	\$12,636.46	7	\$5,081.74
4	23	11,242.79	1	29.95
5	16	21,017.52	8	11,242.97
9	32	24,106.20	5	1,117.05
10	18	11,236.00	8	1,445.33
11	16	8,338.65	13*	6,106.56
12	5	10,380.57	1	812.5
Totals	122	\$98,958.19	43	\$25,836.10

*Eight of these payments were supported only by copies of invoices; the originals were not available.

According to Comptroller’s Directive #24, payment vouchers should not be used to prepay for goods and services before delivery or when there is inadequate evidence that the goods or services were received. In addition, proper recordkeeping should be maintained to support that all funds are being used appropriately.

According to Board #5’s Assistant District Manager, CitySoft was solicited by the Board’s former District Manager³ for various computer services (such as network maintenance,

³ The District Manager who was present during Fiscal Year 2004 resigned effective October 31, 2004.

server replacement, and software installation). However, the Board did not have a contract with CitySoft, nor did it ever solicit bids for those computer services. Further, according to the Assistant District Manager, the former District Manager authorized payments to CitySoft based, not on the invoices received, but on calls to the vendor asking how much money was owed. She also instructed the Assistant District Manager to add money to the vendor's account for future projects.

Based on a vendor-generated transaction history report and some invoices retained by the Board, Board #5 overpaid CitySoft by \$1,271.88 for computer services received from June 6, 2001, through September 16, 2004. However, we were informed by the current District Manager that the Assistant District Manager contacted CitySoft and was told that there was no remaining balance on account. Since the Board did not maintain adequate records, we cannot determine whether this statement was true.

The Board also submitted four blanket purchase orders⁴ totaling \$6,000 to Staples using Fiscal Year 2004 funds. As with CitySoft, the Board did not maintain adequate records indicating the purchases made against those orders. Before placing an order, the Assistant District Manager would call the Staples Credit Department to determine how much the Board had on account. In the absence of adequate records, we cannot determine whether all of the blanket purchase order funds were used.

Unauthorized Employee Reimbursements

Reimbursements to District Managers at Boards #3, #4, #8, and #10⁵ were not approved as required. This condition was especially prevalent at Board #3, where the former District Manager improperly reimbursed herself more than \$4,000 for purchases that should have been made using the Board's Imprest Fund. At Boards #4, #8, and #10, the unapproved reimbursements totaled \$470, \$713, and \$90⁶ respectively.

According to Comptroller's Directive #3, "Procedures for the Administration of Imprest Funds" (Revised), Imprest Funds can be used for small purchases and petty cash transactions. According to the directive, adequate segregation of duties should be in place so that no one employee is responsible for all aspects of operating the fund. Assigning different people the responsibilities of authorizing transactions, recording transactions, and maintaining custody of assets is intended to reduce the opportunities of any person to both perpetrate and conceal errors or fraud. Rather than using the Imprest Fund or maintaining a petty cash fund for small purchases, the District Manager used her own money and authorized payment vouchers to

⁴ An agreement negotiated once, on a periodic basis, for recurring orders of specific goods or services.

⁵ The payments were made to the previous Board #10 District Manager. The Board was unable to provide documentation for those payments authorized by the previous District Manager. As a result, we could not determine whether the Chair's approval was obtained for those payments. The current Board #10 District Manager began employment during January 2004.

⁶ This amount includes a \$20 unapproved reimbursement to the Board's Assistant District Manager for a MetroCard purchase.

reimburse herself. During Fiscal Year 2004, the District Manager reportedly used a total of \$4,399 of her own money to pay for various office supplies and services, such as printing paper, soap, paper towels, computer maintenance, moving furniture, and replacing light bulbs. By doing so, she circumvented the controls that should have been in place if a petty cash fund was established.

By using her own money, the District Manager authorized the purchases, maintained records of the purchases and the amounts to be reimbursed, and approved her own payments (reimbursements). There was not an independent person reviewing these expenses, ensuring that the amount paid was correct, and the purchased items and services were necessary and received. Moreover, upon reviewing the payment files, we found that appropriate supporting documentation was not always present. Our review of the two largest reimbursement payments totaling \$3,267 (\$2,267 and \$1,000) revealed that \$542 of this amount was not adequately supported. Another \$674 represented questionable expenditures because there was no independent verification that the goods and services for which reimbursement was sought were in fact provided. For example, the District Manager was reimbursed \$100 for paying someone to move furniture, and the only supporting documentation was a handwritten receipt, reportedly signed by the provider and approved by the District Manager. We note that we found no evidence to indicate that the goods and services related to the questioned expenditures were not provided. Overall, only \$2,051 (63%) of the \$3,267 was adequately supported by the Board's records.

Bids Not Solicited

Bidding procedures were not always followed in accordance with PPB Rules. Section 3-08(c)(1)(iii) of the Rules requires that agencies solicit at least five vendors for bids, with at least two responses, when purchasing more than \$5,000 worth of goods or services. However, Boards #5, #9, and #11 did not obtain bids for the three purchases that required bids. In addition, Boards #4, #6, and #12 did not solicit the required five vendors in the three instances where bids were required. In those three cases, the Boards merely stopped soliciting bids after obtaining three responses. At the exit conference, the District Managers for those Boards stated that they did not solicit bids from five vendors because they mistakenly thought that they were required to obtain bids from a minimum of only three vendors.

Improper Approvals of Purchases

Requisite approvals and appropriate authorizations for purchases were not always obtained at Boards #3, #5, #10, and #12 in accordance with Comptroller's Directive #24. Section 6.0 of the directive requires that two approvals be obtained for purchases. Based on their knowledge of agency operations, approvers verify that the expenditure is necessary and reasonable, that the payment request and its supporting documentation are accurate, and that the goods or services were received. At these Boards, however, we found purchase orders and PVs were being submitted to the Financial Information Services Agency (FISA) with blank spaces where the authorizations should have been. Of the 57 purchase orders and 64 PVs we reviewed, five (9%) purchase orders and their corresponding PVs, totaling \$12,261, did not have all of the

required authorizations. In addition, at Boards #3, #5, and #10,⁷ final certifications for 17 (30%) purchase orders and 14 (22%) PVs were not given by someone in authority. For these, final certifications were given by a staff person at Boards #3 and #5, and at Board #10, the Assistant District Manager was assigned a higher level of approval than the Board's District Manager. Table IV, below, summarizes the results of our analysis for these four Boards.

Table IV

Summary of Our Analysis of Purchases with Improper Approvals

Board	No. of Purchases Reviewed	No. of Purchase Orders Lacking Authorizing Signatures	No. of Purchase Orders with Inappropriate Final Certifications	No. of Vouchers Lacking Authorizing Signatures	No. of PVs with Inappropriate Final Certifications
3	5	0	5	0	4
5	6	3	3	3	0
10	10	0	9	0	10
12	4	2	0	2	0
Totals	25	5	17	5	14

Incorrect Object Codes

All of the Boards except for #11 used incorrect object codes. Of the 171 payments reviewed for those Boards, 70 (41%) had incorrect codes. The results of our analysis are shown in Table V, below.

⁷ Board #10 prepares their purchase orders and payment vouchers electronically using the City's Financial Management System.

Table V

List of Boards That Used Incorrect Object Codes

Board	No. of Payments Reviewed	No. of Payments with Incorrect Object Codes
1	10	2
2	4	2
3	12	6
4	23	3
5	16	6
6	11	5
7	9	1
8	31	23
9	32	13
10	18	8
12	5	1
Totals	171	70

The use of correct object codes enables an agency to categorize the type and amount of a particular expense item within a fiscal year. This information is used to generate the year-end reports that identify expenditure patterns. Expenditures by object code are also reported in the Financial Report of the Comptroller. The use of incorrect object codes can compromise management’s ability to properly plan future budgets.

Inappropriate Use of Miscellaneous Vouchers

Eleven Boards used miscellaneous vouchers inappropriately. (Board #11 did not use miscellaneous vouchers.) Comptroller’s Directive #24, §6.3, states that miscellaneous vouchers (MVs) “may be used only when estimated or actual future liability is not determinable, or a contract or a Purchase Document is not required or applicable.” Some of the unallowable uses of MVs that we found at the Boards include monthly rent payable on a lease, payments to postal and phone service providers, reimbursements to Imprest Funds, and purchases of supplies, equipment, materials, and services for which a City Financial Management System (FMS) Contract Document or Purchase Document is required. Of the 123 payments made using miscellaneous vouchers by the Boards, 96 were instances in which the vouchers should not have been used. In addition, we also found that 10 of the 18 MVs sampled at Boards #3, #5, and #12 were not properly approved (they either did not have all of the requisite signatures or the final certifications were not signed by someone in authority). The results of our analysis are shown in Table VI, below.

Table VI

Boards That Used Miscellaneous Vouchers Inappropriately

Board	No. of Misc. Vouchers Reviewed	Dollar Value	No. of vouchers used inappropriately	Dollar Value
1	10	\$4,378.19	8	\$3,668.69
2	4	1,904.50	4	1,904.50
3	7	7,193.61	3	1,296.98
4	20	7,666.28	8	7,191.89
5	10	13,460.00	10	13,460.00
6	9	7,398.74	9	7,398.74
7	2	373.45	2	373.45
8	21	18,272.51	20	17,946.65
9	31	21,106.20	30	20,927.20
10	8	2,275.35	1	870.02
12	1	812.50	1	812.50
Totals	123	\$ 84,841.33	96	\$75,850.62

Inappropriate use of miscellaneous vouchers contributes to the distortion of the City's books of account by understating the City's outstanding obligations.

Imprest Fund Improperly Used

We found a number of instances in which the Imprest Fund accounts were not managed and used properly in accordance with Comptroller's Directive #3 by the six Boards that had accounts. Instances of noncompliance included: bank reconciliations not being completed (Boards #3, #6, #9, and #12); checks not inscribed with "void after 90 days" (Boards #1, #3, and #12); Imprest Fund used to make payments that should have been made through PVs or payroll reimbursements (Boards #6, #9, and #12); employee reimbursement forms not completed (Boards #6, #8, and #9); and invoices not stamped with required information, such as "Paid," amount, check number and date (Boards #6, #8, #9, and #12). In addition, we saw a payment exceeding the \$250 limit at Board #1, a check written to "cash" at Board #6, and no supporting documentation for three payments at Board #9. Table VII, below, contains the results of our analysis.

Table VII

Summary of Analysis of Payments Using Imprest Fund

Board	No. of Imprest Fund checks reviewed	Findings							
		Checks not inscribed with "void after 90 days"	Payments divided to circumvent the \$250 limit	Ineligible payments	Invoices not stamped with required information	Insufficient evidence	Check written to "Cash"	Payment exceeded the \$250 limit	Employee reimbursement form not completed
1	2	2	0	1	0	0	0	1	0
3	1	1	0	0	0	0	0	0	0
6	7	0	2	3	4	0	1	0	1
8	12	0	0	3	9	0	0	0	9
9	10	0	8	8	10	3	0	0	3
12	6	6	0	1	5	0	0	0	0
Totals	38	9	10	16	28	3	1	1	13

Recommendations

- Boards #3, #4, #5, #9, #10, #11, and #12 should ensure that they retain invoices for payments made and that those payments are adequately supported by invoices.

Board #3 Response: "Since July 04, new procedures for paying invoices have been instituted. All invoices are now paid on-line through FISA system. Invoices are referenced in payment voucher and copy of invoice is filed."

Board #9 Response: "In some instances of discrepancies mentioned we became aware of them during the Audit itself and have moved to correct them. These include: securing all Invoices with Vouchers. . . ."

- Board #5 should make payments only upon receipt of an invoice and only after goods or services have been received.
- Boards #3, #4, #8, and #10 should ensure that employee reimbursement forms are used when required and are properly approved.

Board #3 Response: "It is no longer necessary for employees to use personal money and be reimbursed."

Board #8 Response: "Personal Expense Reimbursement forms are now used for all reimbursements to the District Manager."

- Board #3 should establish a petty cash fund to pay for their small purchases and follow the guidelines as set forth in Comptroller's Directive #3.

Board #3 Response: “Petty cash fund has been set up per comptroller’s instructions. There is a monthly list of receipts to be authorized by Board Chair.”

5. Boards #5, #9, and #11 should ensure that they obtain bids for purchases over \$5,000, in accordance with PPB Rules.

Board #9 Response: “We will in the future adhere to recommendations given.”

6. Boards #4, #6, and #12 should ensure that they solicit a minimum of five vendors when required by PPB Rules.
7. Boards #3, #5, #10, and #12 should ensure that purchases are approved and properly authorized in accordance with Comptroller’s Directive #24.

Board #3 Response: “Current purchase orders are all entered into FISA system and properly authorized on line.”

8. Boards #1–#10 and #12 should ensure that they use the correct object codes when recording expenditures.

Board #1 Response: “We acknowledge this error and have instructed [our] staff to be more careful to avoid such error in the future.”

Board #3 Response: “Every effort is being made to ensure that correct object codes are being used.”

Board #7 Response: “CB7 does and will continue to use correct object codes. . . . In the one case that CB7 used an incorrect code, a new copier vendor separated rental and maintenance when they purchased the company from the original vendor. We should have submitted a modification of the purchase order to reflect the change.”

Board #8 Response: “[U]pdated copies of Directives 3 and 24 have been downloaded and all requirements will be followed.”

Board #9 Response: “Upon the Auditor suggestions we will utilize different codes in the future.”

9. Boards should ensure that they use miscellaneous vouchers appropriately, in accordance with Comptroller’s Directive #24.

Board #1 Response: “The CB agrees that this practice . . . was not in compliance with City regulations and will no longer be employed.”

Board #3 Response: “Miscellaneous vouchers are rarely used and will be used in accordance with Directive 24.”

Board #7 Response: “As required, CB7 is submitting purchase orders and payment vouchers for purchases for which the price can be determined in advance and will use miscellaneous vouchers only for items whose price cannot be determined at time of purchase.”

Board #8 Response: “[U]pdated copies of Directives 3 and 24 have been downloaded and all requirements will be followed.”

Board #9 Response: “Our understanding as guided by OMB, was that PVM [miscellaneous payment vouchers] were used for costs which were not long term and could not be projected. Your Auditor suggested Purchase Orders where we can estimate with particular vendors. This procedure will be hence followed.”

10. Boards #1, #3, #6, #8, #9, and #12 should ensure they use and manage their Imprest Funds properly, in accordance with Comptroller’s Directive #3.

Board #1 Response: “We have since spoken to the staff and are utilizing new checks which state ‘Not to exceed \$250’, ‘Two signatures required’, and ‘Void after 90 days’ as per your directive.”

Board #3 Response: “Imprest funds are now properly managed. Fund is used for the petty cash fund and occasional small purchases.”

Board #6 Response: “Supper money owed to staff would now go through payroll. Board Six bank statements are reconciled every month Purchased a ‘Paid’ stamp; all other mentioned procedures have been instituted.”

Board #8 Response: “A paid, amount and check number stamp has been purchased and updated copies of Directives 3 and 24 have been downloaded and all requirements will be followed.”

Board #9 Response: “In some instances of discrepancies mentioned we became aware of them during the Audit itself and have moved to correct them. These include . . . Procedures for Record Keeping of our Imprest Account—including stamping PAID and VOID. All costs over \$250 will be paid by Voucher not multiple checks.”

Incomplete Inventory Records

The Boards did not maintain a complete and accurate inventory list of all its computer and office equipment. While all Boards provided us an inventory list, 10 Boards (#1, #3–#9, #11, and #12) did not include all of the required information, such as manufacturer’s name, serial number, and location of each item, as required by Department of Investigation inventory standards. Although Board #2 provided us an inventory list, it was not maintained by the Board but was compiled and provided to us only upon our second request.

Our observations revealed instances of missing items, items not available for our review, items found that were not included on the inventory lists, and items listed with incorrect serial numbers. Of the 12 Boards, only Boards #2, #3, and #10 included the locations of the items on their inventory lists. In addition, only Board #6 ensured that its equipment was properly tagged for identification.

In total, the Boards listed 291 pieces of inventory. Of these, we were unable to locate 27 (9%) of them. Our physical inspection revealed another 94 items that were at the Board offices but not recorded on the lists. Table VIII, below, summarizes the results of our inventory observations.

Table VIII

Results of Inventory Observations

Board	No. of items listed in inventory	Discrepancies					Total No. of discrepancies
		No. of items not found	No. of items with incorrect serial numbers	No. of items without serial numbers	No. of items without identification tags	No. of items found that were not listed	
1	27	7	0	27	25	5	64
2	23	0	2	0	29	6	37
3	13	0	1	11	1	12	25
4	28	3	0	28	36	11	78
5	18	0	3	1	7	1	12
6	17	0	6	2	0	1	9
7	35	1	0	0	36	2	39
8	36	6	0	36	7	4	53
9	33	0	2	0	43	10	55
10	13	4	5	0	20	27	56
11	17	1	3	0	17	12	33
12	31	5	3	0	6	3	17
Totals	291	27	25	105	227	94	478

Board #8 Response: “The Audit letter we received on July 13, 2004 requested the following: ‘The most recent inventory lists in hard copy and on CD/diskette in Excel format’ (please provide a separate listing for office furniture, office supplies and computer equipment). A total of five separate listings were submitted in hard copy and on disk Your list did not request the location of each item which would have been provided and will be for all future audits. Relinquishment forms were not reviewed by the auditors which listed all items that were not found. We also provided a listing of all equipment tagged by the 19th Precinct.”

Auditor Comment: DOI’s *Standards for Inventory Control and Management* requires that an inventory listing include, among other things, the location and condition of the items listed. One purpose of our inventory listing request was to determine whether the inventory lists being maintained by the Boards included this information. Regarding the relinquishment forms, we were provided with one form listing two items from our sample. This form was considered in our analysis.

Board #9 Response: “The Items not listed were broken, out of service and waiting for disposal.”

Auditor Comment: As stated previously, DOI's inventory standards require that the condition as well as location of items be included in the inventory list.

Recommendations

11. All Boards should ensure that they maintain complete and accurate inventory records of its equipment.

Board #1 Response: "An updated and accurate inventory list will be completed by the end of the month."

Board #3 Response: "All information required will be included in future inventory lists."

Board #7 Response: "CB7 regularly updates its inventory records."

12. Board #2 should ensure that it continues to maintain an inventory list of its equipment.

13. Boards #1, #3, #4, #5, #6, #7, #8, #9, #11, and #12 should ensure that the inventory lists include the manufacturer's name, the serial number, and the location of each item.

Board #1 Response: "Now that we understand the specific information required in our inventory list, we will update it to comply with City regulations."

Board #7 Response: "We corrected the list to reflect the three items in question and have added the locations of equipment."

14. Boards #1, #2, #3, #4, #5, #7, #8, #9, #10, #11, and #12 should ensure that they affix identification tags to all equipment.

Board #1 Response: "The CB will label its equipment and furniture as per regulations."

Board #7 Response: "CB7 has affixed paper tags on major equipment."

Timekeeping Discrepancies

Eight of the 12 Boards (Boards #1, #2, #5, #6, #9, #10, #11, and #12) do not fully comply with DCAS personnel rules and leave regulations or Comptroller's Directive #13, §4.0, "Payroll Procedures—The Timekeeping Function." Specifically, Board #1 does not use a daily attendance report or any other compensating control to record employees' daily attendance, and Boards #2, #5, #6, #9, #10, #11, and #12 did not ensure that the weekly time reports reconciled with the daily attendance reports. Overall, for the period reviewed (May 2004) there were 31 instances in which the weekly reports did not reconcile with the daily records. Of these, there

were 14 instances at Boards #2, #5, #6, #10 and #11 in which the daily attendance reports for certain employees were blank for certain work days, yet the weekly time reports submitted to the MBPO for those employees indicate that they worked on those days, eight instances at Boards #6 and #10 in which employees failed to sign both in and out, and nine instances at Boards #9, #10, #11, and #12 in which the daily attendance reports did not agree with the weekly time reports. Table IX, below, summarizes the timekeeping discrepancies at the various boards.

Table IX

Summary of Timekeeping Discrepancies

Community Board	Number of Employees	Number of Instances	Types of Instances
Board #2	1	1	Daily attendance report blank
Board #5	1	5	Daily attendance report blank
Board #6	1	2	Daily attendance report blank (1), Employee failed to sign both in and out (1)
Board #9	1	1	Daily attendance report does not agree with weekly time report
Board #10	1	17	Daily attendance report blank (6), daily attendance report does not agree with weekly time report (4), Employee failed to sign both in and out (7)
Board #11	2	2	Daily attendance report does not agree with weekly time report (1), Daily attendance report blank (1)
Board #12	2	3	Daily attendance report does not agree with weekly time report
Totals	9	31	

The largest number of discrepancies were at Board #10, which uses a time clock to record the daily attendance for three employees. However, because the Board did not maintain time cards for two of those employees, we could not perform a comparison of the daily attendance report with the weekly time report. For the remaining employee, in six instances the daily time report was blank, yet according to the weekly time report the employee worked those days. In another four instances, the clocked-in and clocked-out times differed from those reported in the weekly time report. In all instances, the weekly time reports were signed by the District Manager, but there were no notations on either the weekly time reports or the time cards to explain the discrepancies. Finally, at Board #10 there were two instances in which the information recorded on PMS did not reconcile with the weekly time report.

Recommendations

15. Board #1 should implement a system to record employees' daily attendance.

Board #1 Response: "We have begun having our employees maintain daily attendance records"

16. Boards #9, #10, #11, and #12 should ensure that the weekly time report agrees with the daily attendance report prior to signing by the District Manager; any discrepancies should be noted and initialed by the District Manager.

Board #9 Response: "Procedures have been corrected."

17. Boards #2, #5, #6, #10, and #11 should ensure that employees always sign in and out daily, as is required by Comptroller's Directive #13.

Sick Leave Abuse

According to the Citywide Human Resources Management System (CHRMS),⁸ of the 32 non-managerial persons employed by the Boards at the end of Fiscal Year 2004, there were 11 employees at Boards #2, #3, #6, #7, #8, #9, #11, and #12 who exceeded the allowable number of undocumented sick leave instances within a "sick leave period" and yet were allowed to use undocumented sick leave during the next sick leave period. This is in violation of the requirements of §3.2 of the DCAS *Time and Leave Regulations*. These regulations require that an employee who uses undocumented sick leave more than five times during a sick leave period—either January to June or July to December—be placed on sick leave restriction, meaning that a person is not able to use sick leave without medical documentation. Of the 11 employees referred to above, nine employed at Boards #2, #3, #7, #8, #9, #11, and #12 exceeded the allowable number of undocumented sick leave instances within a "sick leave period" prior to Fiscal Year 2004 and were placed on sick leave restriction. Nevertheless, these employees were allowed to use undocumented sick leave during both "sick leave periods" of Fiscal Year 2004. The remaining two persons, employed at Boards #6 and #9, were placed on sick leave restriction during Fiscal Year 2004 (April 2004) and yet were allowed to use undocumented sick leave in the following period (July 2004 through December 2004).

The MBPO is responsible for monitoring sick leave abuse at the Boards. Employees who have more than five undocumented sick leave instances in a period are "sanctioned," and the MBPO is responsible for notifying those employees. When we spoke to an MBPO official, she provided us with notification letters sent to the two employees at Boards #6 and #9 notifying them of their sanction status. However, the letters were sent out in January 2005, more than nine months after the employees were sanctioned.

⁸ CHRMS provides payroll and timekeeping information and can be used to generate reports identifying employees who are approaching or exceed the number of undocumented sick leave instances within a sick leave period.

Recommendation

18. The MBPO should adhere to the DCAS sick leave regulations and require Board employees to provide medical documentation when they exceed the allowable number of undocumented sick leave days.

MBPO Response: “In response to your inquiry, this office has instituted the CHRMS system as a means of timekeeping and identifying employees for all Manhattan Community Boards.”

Employees Not Paid within the Salary Ranges of Their Titles

The annual salaries of six of the 43 employees of Boards #2, #3, #4, #6, and #7 as of September 1, 2004, did not fall within the pay rates for their *Career and Salary Plan* titles. The salaries for four employees were below the minimum pay rates for their titles, and the salaries for another two employees were above the maximum pay rates for their titles. Tables X and XI, below, list the employees whose current salaries were below the minimum and above the maximum pay rates, respectively, for their titles.

Table X

Employees Paid Below the Minimum Salary of Their Titles

Employee	Board	Title	Current Salary	Minimum Job Title Salary	Difference
1	3	Community Associate	\$29,866	\$31,100	-\$1,234
2	3	Community Associate	\$29,866	\$31,100	-\$1,234
3	4	Community Associate	\$28,175	\$31,100	-\$2,925
4	6	Community Associate	\$28,336	\$31,100	-\$2,764

Table XI

Employees Paid Above the Maximum Salary of Their Titles

Employee	Board	Title	Current Salary	Maximum Job Title Salary	Difference
1	2	Community Service Aide	\$27,237	\$24,881	+\$2,356
2	7	Assistant District Manager	\$52,703	\$46,089	+\$6,614

The City *Career and Salary Plan* contains minimum and maximum pay rates for each job title. According to the *Career and Salary Plan*, “The purpose of this resolution is to provide fair and comparable pay for comparable work.” Therefore, the minimum and maximum pay rates are an integral part of the plan. If there are no non-managerial titles within the employees’ salary

ranges, the employees should be transferred to appropriate managerial titles with salary ranges encompassing their salaries.

Recommendation

19. The MBPO and Boards #2, #3, #4, #6, and #7 should either transfer employees whose salaries currently are below or above the salary ranges for their titles into other titles that they qualify for and that have salary ranges that properly encompass their current pay levels, or adjust the employees' salaries so that they fall within the salary ranges for their titles.

Board #3 Response: "There is now only one title that needs to be transferred to comply with salary ranges. The other staff member was promoted and no longer out of salary range."

Board #6 Response: "Employee cited in the audit was paid below title; paperwork has been filed to rectify situation."

Board #7 Response: "We are in the process of changing the title of our assistant district manager to one appropriate for his salary."

Inadequate Controls over Proceeds from Fundraising Event

Board #2 does not have the requisite internal controls in place to ensure that transactions resulting from fund-raising activities are promptly recorded and adequately supported with the relevant documentation.

The Board generates additional funding by periodically sponsoring street festivals under the name Friends of Community Board #2. The Board uses Clearview Festival Productions, Inc., (Clearview) to manage the street festivals. Clearview prepares and submits a Street Activity Permit Application to the Mayor's Community Assistance Unit, as well as a Street Activity Reporting Form Final Income Summary Statement (Summary Statement) at the end of the event. In addition, Clearview solicits the vendors who (except for not-for-profit organizations) pay a fee to Clearview to participate in the festivals.

Within 15 days following a street festival, Clearview forwards five copies of a Summary Statement to the Board for review and signature. A street activity fee (20% of gross revenues) and a permit fee that are both paid to the City are among the activity-related expenses that are generally deducted from the event proceeds and detailed in a Total Fees Detail Report, which may be included with the Summary Statement that is submitted to the Mayor's Community Assistance Unit.

The Board deposits the net profit into a bank account in the name of Friends of Community Board #2. According to the District Manager, these funds are used to pay the Board's operating expenses. However, the District Manager does not have an internal control

system in place to adequately account for funds raised. He could not provide us with relevant fundraising documentation, such as all of the Summary Statements submitted by Clearview, although the Board is required to maintain these records for at least three years.

In addition to not adequately maintaining all fundraising receipts, Board #2 does not secure its blank checks and kept a signed blank check in its check book. According to documentation obtained from Board #2, as well as from Clearview, the Board received \$12,238 and \$24,027 in Fiscal Years 2004 and 2005, respectively, from fund-raising activities.

Recommendation

20. Board #2 should ensure that it maintains complete records regarding moneys raised through fund-raising activities.

Manhattan Boards Need to Better Familiarize Themselves with City Regulations Governing Payroll, Timekeeping, Purchasing, And Inventory Functions

Based on our discussions with the District Managers of the various Boards throughout the borough, one of the key factors contributing to weaknesses we identified at some of the Boards was the District Managers' stated unfamiliarity with proper City procedures.

According to a number of the District Managers at the Boards, they did not receive any training regarding City regulations when they took up their duties as managers. We were told by many of the Boards that when they contacted the MBPO for assistance (regarding purchasing procedures, voucher questions, etc.), the MBPO told them to contact FISA, the City's Office of Management and Budget (OMB), or the Comptroller's Office. The Board #5 District Manager said that he contacted OMB to arrange training regarding the Board's budgetary operations—such as the proper procedures to access his Board's funds; the appropriate documentation required for the fiscal year transactions; and any purchasing procedures and regulations that he must follow—and was told that OMB does not provide any such training and to do the best he could.

We contacted MBPO officials to gain an understanding of its role in working with the Boards. According to the MBPO Director of Administration, the MBPO is responsible for overseeing the timekeeping and payroll functions for Manhattan's Boards. The MBPO Director of Community Boards stated that training is not provided to the boards; however, technical assistance is always provided as needed through the MBPO liaisons who are assigned to each board. In addition, she said that FISA provides training classes about the correct procedures for purchasing. According to the MBPO Director of Community Boards, the Boards are referred to the Comptroller's Office if they have any questions related to finance that the MBPO cannot answer.

We attempted to determine whether the Boards had any outstanding requests for assistance that were not answered by the MBPO or other agencies, but were unable to do so

because the Boards did not document their requests; according to the District Managers, all requests for assistance were made by telephone.

It should be noted that even though the District Managers stated that they did not receive any formal training regarding the areas discussed in this report, the procedures covering these areas are outlined in the *Procedural Guidelines for Community Boards*. The manual includes, among other things, general procedures related to the personnel, payroll, and purchasing functions. Furthermore, 11 of the 12 District Managers who were at the Boards during the audit period had been in their positions for at least two years and should have been aware of many of the regulations related to the issues we discuss in this report.

At the exit conference, many of the District Managers stated that they do not have a copy of the procedural guidelines manual and that it is no longer in print. We contacted the Community Assistance Unit of the Mayor's Office with regard to disseminating the manual to the Boards. According to the MIS Director, his office is in the process of updating the manual. He suggested that an MBPO representative contact his office to obtain copies of the current manual for those Boards that do not have one.

The District Managers also voiced a number of complaints regarding their attempts to obtain assistance regarding City regulations. They stated that when they contact certain City agencies for assistance—such as OMB, FISA, and the Comptroller's Office—they are provided with inconsistent or inaccurate information. They stated that it would be helpful if there were designated persons within each agency whom the Boards could contact if they have questions about various City regulations, such as the correct object codes to use when making certain purchases. We were unable to verify the assertions of the managers that they were provided with inconsistent or inaccurate information when requesting assistance because, as stated previously, the managers did not document their requests, nor did they document the responses that they were provided.

In light of the significant control weaknesses we identified at numerous Boards throughout the borough, we believe that the Boards should better familiarize themselves with the procedural guidelines relating to the findings discussed in this report and ensure that they are followed. In addition, when requesting assistance from the MBPO or other agencies, the Boards should consider documenting their requests to better enable them to track and follow-up on those that are outstanding.

Recommendations

21. The Boards should review the *Procedural Guidelines for Community Boards* to familiarize themselves with the City regulations that cover their payroll, timekeeping, purchasing, and inventory functions, and govern themselves accordingly.

Board #3 Response: “Board 3 has just received this book and will use it for future reference.”

Board #7 Response: “We will review and follow the guidelines when we receive a copy o[f] the current version or the updated one.”

22. For those areas where further clarification is needed, the Boards should document their requests to the MBPO and other agencies so that they can better track those that are outstanding and ensure that they obtain the assistance needed to better maintain proper controls over the above-mentioned functions.

Board #3 Response: “Board 3 will make all future requests for clarification in writing to track and document.”



November 7, 2005

Mr. Greg Brooks
Deputy Comptroller
Office of the Comptroller
1 Centre Street
New York, NY 10007-2341

Re: Draft Audit Report

Dear Mr. Brooks:

Thank you for providing Community Board #1 with a copy of the Draft Audit Report prepared by your office on the Financial and Operating Practices of the 12 Manhattan Community Boards. We have had the opportunity to review your Draft Report and would like to respond to those items regarding Community Board #1. I should note that while I was not the CB #1 Chair during the July 2003 - December 2004 period covered by the audit, I have spoken to the staff and we have taken the steps indicated below to address the problems identified in this report.

The draft audit identified eight instances of noncompliance with regard to City purchasing, inventory and attendance recording procedures. Listed below is a summary of these eight infractions and our response.

1. Incorrect object codes used – Community Board #1 listed the incorrect code on one purchase order during the 17 month audit period. We acknowledge this error and have instructed staff to be more careful to avoid such errors in the future.
2. Inappropriate use of miscellaneous vouchers – The CB agrees that this practice, used to pay vendors more quickly, was not in compliance with City regulations and will no longer be employed. Purchase orders will be used in all instances per City regulations.
3. Imprest fund rules not followed – We believe that your auditors identified one instance in which a check was written for more than the permitted \$250 spending limit. This occurred when a new staff member was sent to get an urgent printing job done and she was not aware that we couldn't issue checks exceeding \$250. We have since spoken to the staff and are utilizing new checks which state "Not to exceed \$250", "Two signatures required", and "Void after 90 days" as per your directive. A copy of one of our new checks is attached.
4. Inventory lists lacking all required information – Although the CB did have an inventory list, we were not aware of the specific requirements of the City insofar



as what information should be included on our inventory list. A far more extensive audit by the Comptroller's Office of our CB in 1998 failed to suggest that our inventory lists (which were kept in the same manner) did not comply with City regulations. Now that we understand the specific information required in our inventory list, we will update it to comply with City regulations.

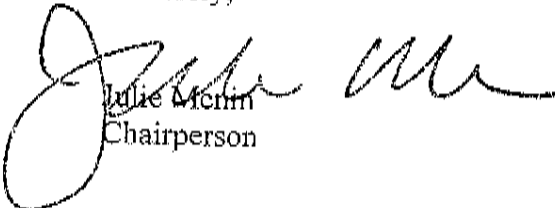
5. Some items on list not found – We are updating our inventory list to insure that all items are accounted for.
6. Some items in inventory not included on lists – An updated and accurate inventory list will be completed by the end of the month.
7. Items lacking identification tags – We were unaware of this requirement which also was never cited in earlier audits. The CB will label its equipment and furniture as per regulations.
8. Employees weekly time reports not reconciled with daily attendance records – We have begun having our employees maintain daily attendance records as per your recommendation.

In summary, Community Board #1 would note that half of our instances of noncompliance concerned the manner in which we kept our inventory lists and labeled items. It should be noted that even though our inventory and labeling procedures at CB 1 are the same as they were throughout the 1990s, these issues were never cited by the Comptroller's Office in our far more intensive audit in 1998. We are in the process of revising our inventory and labeling procedures to be in full compliance. Two more instances of noncompliance were one time errors, listing an incorrect object code and writing one imprest fund check in excess of \$250, both of which we have taken steps to correct. Another item concerns daily attendance sheets and we have instituted your recommended change. Finally, we acknowledge that miscellaneous vouchers should not and will not in the future be used to pay our bills.

I believe that it is important to recognize that Community Boards are rather unique City agencies due to our tiny size and budget. We obviously do not have full time personnel immersed solely in things such as procurement or inventory control so that we are not nearly as aware of all the many City rules and procedures governing these matters as are larger agencies. It would appear that the City needs to do a better job of providing Community Boards with training, assistance and written material indicating the rules and procedures we are supposed to follow. Perhaps the Borough President's Office should, as they had done in the past, play a more significant role in assisting Community Boards in these matters.

Thank you for taking our comments into account as you prepare your final report.

Sincerely,



Julie McInnis
Chairperson



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David McWater, Board Chair

Susan Stetzer, District Manager

November 3, 2005

Mr. Greg Brooks
 Deputy Comptroller
 Policy, Audits, Accountancy & Contracts
 Office of the Comptroller
 Executive Offices
 1 Centre Street
 New York, NY 10007

Dear Mr. Brooks:

The audit at Community Board 3 was conducted in the first month after current District Manager started in this position. Therefore, all the audit comments are directed to procedures previous to those established by the current District Manager. However, the timing of the audit was very helpful and informative in learning appropriate procedures.

Following are comments and answers to the issues raised by the audit.

1. Payments not supported by invoices

Since July 04, new procedures for paying invoices have been instituted. All invoices are now paid on-line through FISA system. Invoices are referenced in payment voucher and copy of invoice is filed.

2. Reimbursement procedures for employees.

It is no longer necessary for employees to use personal money and be reimbursed.

3. Establish petty cash fund.

Petty cash fund has been set up per comptroller's instructions. There is a monthly list of receipts to be authorized by Board Chair.

4. Ensure purchases are approved and properly authorized.

Current purchase orders are all entered into FISA system and properly authorized on line.

5. Correct object codes.

Every effort is being made to ensure that correct object codes are being used.

6. Miscellaneous vouchers.

Miscellaneous vouchers are rarely used and will be used in accordance with Directive 24.

7. Imprest funds are now properly managed. Fund is used for the petty cash fund and occasional small purchases.

8. Inventory lists.

All information required will be included in future inventory lists.

9. Title transfer

There is now only one title that needs to be transferred to comply with salary ranges. The other staff member was promoted and no longer out of salary range.

However, this issue is proving to be a problem to resolve. The Comptroller's office is giving one set of compliance regulations, OMB another. Board is further investigating. We need to find out which agency Board is accountable to for compliance. Also, we need to know which agency should have been accountable for monitoring this in the first place. Board has not received a list of salary ranges with directive to ensure that employees are within range.

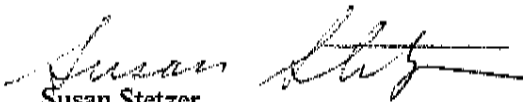
10. Review *Procedural Guidelines for Community Boards*.

Board 3 has just received this book and will use it for future reference. Thank you.

11 .Document requests to MBPO and other agencies.

Board 3 will make all future requests for clarification in writing to track and document.

Sincerely,



Susan Stetzer

District Manager, Community Board 3, Manhattan.



MANHATTAN COMMUNITY BOARD SIX

866 United Nations Plaza – Ste. 308, New York, NY 10017

Phone: (212) 319-3750 - Fax: (212) 319-3772

E-mail: mn06@cb.nyc.gov

Web site cb6mny.org

November 7, 2005

Carol A. Schachter
Chair

Toni Carlina
District Manager

Claude L. Winfield
First Vice Chair

Mr. Greg Brooks
Office of NYC Comptroller
Executive Offices
1 Centre Street
New York, NY 10007-2341

Lyle Frank
Second Vice Chair

Harry Edward Ursillo
Secretary

Bertrice Disman
Treasurer

Dear Mr. Brooks:

Community Board Six has the following comments on the draft audit report regarding the Boards financial and Operating Practices.

- District Manager, Employee Personal Expense Claim form: The manner in which it is currently written gives the impression that travel claim forms were not filled out. The forms provided to the District Manager were filled out; however, they did not have a signature line for anyone but the preparer.
- Check written to "CASH" was for office petty cash; this has been rectified.
- Supper money owned staff would now go through payroll.
- Board Six bank statements are reconciled every month, just not recorded: is there a form that should be used?
- Purchased a "PAID" stamp; all other mentioned procedures have been instituted.
- Employee cited in the audit was paid below title; paperwork has been filed to rectify situation.

I would like to take this opportunity to thank your staff for the professional manner in which they conducted themselves during the audit and for taking time out of their busy schedules to educate the Board office on these issues.

Very truly yours,

Toni Carlina
District Manager

Cc: Carol Schachter, Chair
Bea Disman, Treasurer

COMMUNITY BOARD 7  Manhattan

October 31, 2005

Mr. Greg Brooks
Deputy Comptroller
The City of New York
Office of the Comptroller
One Centre Street
New York, NY 10007

Re: Audit Report MJ04-134A

Dear Mr. Brooks:

We have reviewed the Draft Report of the above-mentioned audit and recommendations and submit the following Agency Implementation Plan for Manhattan Community Board 7 (CB7.)

Recommendation #8 – Use Correct Object Codes

CB7 does and will continue to use correct object codes. An updated code manual that includes more specific computer technology and Internet codes would be helpful. In the one case that CB7 used an incorrect code, a new copier vendor separated rental and maintenance when they purchased the company from the original vendor. We should have submitted a modification of the purchase order to reflect the change.

Recommendation #9 – Use Miscellaneous Vouchers Appropriately

We reviewed the two vouchers in question. The Comptroller's Office clarified the use of purchase orders/payment vouchers and miscellaneous vouchers. As required, CB7 is submitting purchase orders and payment vouchers for purchases for which the price can be determined in advance and will use miscellaneous vouchers only for items whose price cannot be determined at time of purchase.

Recommendations #11 and #13 – Maintain Inventory Records

CB7 regularly updates its inventory records. We corrected the list to reflect the three items in question and have added the locations of equipment.

Recommendation #14 – Identification Tags

CB7 has affixed paper tags on major equipment. The Manhattan district managers requested a directive from the Comptroller's Office that specifies type of tag, information that should be on the tag, and which equipment should be tagged. When we receive this directive, we will implement the requirements.

1865 Broadway, New York, NY 10023

Phone: (212) 603-3080 Fax: (212) 595-9317

Web site: www.cb7.org e-mail address: office@cb7.org

Mr. Greg Brooks
Re: Audit Report MJ04-134A
October 31, 2005
Page Two

Recommendation #18 – Sick Leave

CB7 is following the directive provided by the Comptroller's Office, which we requested when sick leave was discussed during the audit. The Manhattan Borough President's Office (MBPO) is responsible for monitoring sick leave and did not notify us about the policy or overuse of undocumented sick leave by one employee.

Recommendation #19 - Employee Title

We are in the process of changing the title of our assistant district manager to one appropriate for his salary.

Recommendation #21 – Procedural Guidelines for Community Boards

The *Guidelines* have not been updated since 1992. The revised edition the Community Assistance Unit is preparing will be helpful. We will review and follow the guidelines when we receive a copy of the current version or the updated one.

Please contact us through the Board office for any additional information. Thank you for the opportunity to comment on the audit.

Sincerely,


Hope Cohen
Chairperson


Penny Ryan
District Manager

cc: Honorable C. Virginia Fields, Manhattan Borough President



Charles S. Warren
Chair

Elizabeth McKee
District Manager

505 Park Avenue
Suite 620
New York, N.Y. 10022
(212) 758-4340
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The City of New York Manhattan Community Board 8

October 27, 2005

Greg Brooks
Deputy Comptroller
Policy, Audits, Accountancy & Contracts
Office of the Comptroller
Executive Offices
1 Centre Street
New York, NY 10007-2341

Re: Draft Audit Report on the Financial and Operating Practices of the 12 Manhattan Community Boards

Dear Mr. Brooks:

Thank you for providing Community Board 8 with the opportunity to respond to the above referenced report. The report indicated that "the Boards generally adhered to some of the requirements of the Office of Payroll Administration policies and procedures, the PPB Rules, and the NYC Comptroller's Internal Control and Accountability Directives with respect to payroll, timekeeping, and purchasing" but we were negligent in the following areas:

Audit Area-Purchasing

1. Employee reimbursements not properly approved
2. Incorrect object codes used
3. Inappropriate use of miscellaneous vouchers
4. Imprest Fund rules not followed

Audit Area-Inventory

1. Lists lacking all required information
2. Some items on lists not found
3. Some items in inventory not included on lists
4. Items lacking identification tags

Audit Area-Leave time (annual, sick, and compensatory)

1. Employees allowed to use undocumented sick leave after being placed on sick leave restriction (this finding relates to MBPO)

The Community Board has taken the following steps to address the cited violations:

Audit Area-Purchasing

Personal Expense Reimbursement forms are now used for all reimbursements to the District Manager. Our AOL service has been cancelled and Postage vouchers are now processed as PVR's. A paid, amount and check number stamp has been purchased and updated copies of Directives 3 and 24 have been downloaded and all requirements will be followed.

Audit Area-Inventory

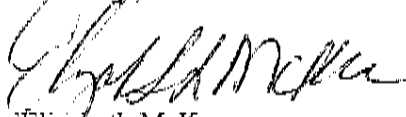
The Audit letter we received on July 13, 2004 requested the following: "The most recent inventory lists in hard copy and on CD/diskette in Excel format" (please provide a separate listing for office furniture, office supplies and computer equipment) A total of five separate listings were submitted in hard copy and on disk which included a list with manufacturers' names and serial numbers, a listing of office equipment, office supplies, computer equipment and office furniture. Your list did not request the location of each item which would have been provided and will be for all future audits. Relinquishment forms were not reviewed by the auditors which listed all items that were not found. We also provided a listing of all equipment tagged by the 19th Precinct. To date, there are no directives that cover inventories as per Ms. Cornwall, Chief, of the Accounting Policy Division.

Audit Area-Leave Time (annual, sick, and compensatory)

The District Manager was not notified by the Manhattan Borough President's Office that any employees were placed on Sick Leave Restriction. The District Manager has requested that written notification of Sick Leave Restrictions be forwarded to her attention.

Once again, thank you for the opportunity to respond to the Draft Audit Report. We will see that Community Board 8 continues to follow all proper procedures regarding Purchasing, Inventory and Leave Time. Should you have any questions regarding these comments or require additional information, please do not hesitate to call me at 212-758-4340

Sincerely,



Elizabeth McKee
District Manager

cc: C. Virginia Fields, Manhattan Borough President
Charles S. Warren, Chair, Community Board 8M
Latha Thompson, Assistant District Manager



CB9M

565 West 125 Street
New York, New York 10027
(212) 864-6200/Fax # 662-7396

COMMUNITY BOARD #9, MANHATTAN

October 27, 2005

C. Virginia Fields
President, Borough of Manhattan

J. Reyes-Montblanc
Chair

Carolyn R. Thompson
First Vice-Chair

Patricia Jones
Second Vice-Chair

Theodore Kovaleff
Secretary

Ramona Jennett
Assistant Secretary

Barbara Marshall
Treasurer

Carlotta Damanda
Assistant Treasurer

Lawrence T. McClean
District Manager

Mr. Greg Brooks
Deputy Comptroller
NYC Comptroller's Office
One Centre Street
New York, New York 10007-2341

Re: Response Audit MJ04-134A

Dear Mr. Brooks:

Your audit has been reviewed and evaluated by myself our Treasurer and District Manager.

In some instances of discrepancies mentioned we became aware of them during the Audit itself and have moved to correct them.

These include:

1. Securing all Invoices with Vouchers (Table II)
2. Procedures for Record Keeping of our Imprest Account – including stamping PAID and VOID.
3. All costs over \$250 will be paid by Voucher not multiple checks

CB9M must take note of the way some check descriptions were made as it pertains to our records **These are listed as follows:**

1. Table III list 5 invoices inadequately supported by Invoices – two of which had to be retrieved but clearly stated what they were for, one which did not reflect multiple tasks (now corrected) and one which called for the District Manager to support the invoice with personal credit card records which in retrospect he has been advised not to do as the invoice should have been sufficient)
2. Table V reflects 13 payments by incorrect codes – we used the codes based on information supplied by FISA & OMB who assigns our Lines. Upon the Auditor suggestions we will utilize different codes in the future.

Mr. Greg Brooks

October 27, 2005

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3. Table VI indicates improper use of Vouchers. This reflects the use of miscellaneous Vouchers. Our understanding as guided by OMB, was that PVM were used for costs which were not long-term and could not be projected. Your Auditor suggested Purchase Orders where we can estimate with particular vendors. This procedure will be hence followed.
4. Table VIII items found but not listed in our inventory and items without Identification tags

In our previous Audits this Board was never advised to tag equipment, and at the review conference with our District Manager on September 23, 2005 your office indicated they would get back to the Board's about availability of City tags.

The Items not listed were broken, out of service and waiting for disposal.

5. Table IX Time Keeping discrepancies There was ONE instance that stemmed from a time sheet change requested by MBPO which was not reflected on the daily log several weeks later. Procedures have been corrected.

Sick Leave Abuse – The issue on use of undocumented Sick Leave (“sick leave period”) which for this Board is under the control of the Borough President’s Office was never brought up until your Auditor mentioned it. Since that time the Borough President’s Office has communicated with the employee’s in violation.

Bidding – You indicated that we did not receive bids on three purchases over \$5,000 – This Board made ONE purchase and showed the Auditor three bid (as your report stated none of the 12 Boards were aware that five bids are now required). One other instance was a Contractor upgrading our computers, who purchased equipment and was paid for it – this eventually totaled \$5,000 but was a series of individual purchases.

This clarification is made as the CB9M has always attempted to follow the procedures given it by OMB, FISA, and MBPO. As indicated on Page 23 of your Audit all the Boards expressed concern as to conflicting directions we are given. We will in the future adhere to recommendations given.

It is my considerate opinion that the Comptroller’s office, FISA, OMB and MBPO should take some time to review all procedures in place and make certain that each agency’s standard operating manual, if any, are harmonized and standardized to avoid conflicting directions and audit interpretations. We further feel very strongly that Auditors make

Mr. Greg Brooks
October 27, 2005
Page --3

sure to hold an exit interview with the Board's Chair in addition tom any other discussions with the District Manager.

Sincerely,

Jordi Reyes-Montblanc
Chair

cc: Hon. C. Virginia Fields, Manhattan Borough President
Executive Committee



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

C. VIRGINIA FIELDS
BOROUGH PRESIDENT

November 10, 2005

Mr. Greg Brooks
Deputy Comptroller
NYC Comptroller's Office
One Centre Street
New York, NY 10007-2341

Dear Mr. Brooks:

In response to your inquiry, this Office has instituted the CHRMS system as a means of timekeeping and identifying employees for all Manhattan Community Boards. As you are aware CHRMS, is the methodology used in documenting annual leave, sick leave and other tracking of employee time.

If you have any questions, or require further information, please contact our audit coordinator, Stephanie Mitchell, at 212-669-3375.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Virginia Fields".

C. Virginia Fields
Manhattan Borough President