



CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
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DEPUTY COMPTROLLER FOR
AUDIT

BUREAU OF AUDIT

May 17, 2018

By Electronic Delivery

Margery Perlmutter, R.A., Esq.
Chair
Board of Standards and Appeals
250 Broadway, 29th Floor
New York, NY 10007

**Re: Letter Audit Report on the Collection and Reporting of Revenues by the Board of Standards and Appeals
(Audit Number FP18-107AL)**

Dear Chair Perlmutter:

We are issuing this Letter Audit Report summarizing the findings of our audit of the Board of Standards and Appeals' (the Board's) collection and reporting of revenues from application fees. The objective of the audit was to determine whether the Board correctly accounted for, and safeguarded, the application fee revenue it receives.

Background

The Board of Standards and Appeals is an independent board of five members appointed by the Mayor, each for a term of six years. The Board was established in 1916 in conjunction with the creation of the City's first zoning ordinance. Its responsibilities include reviewing and deciding applications for appeals from City agency denials of property owner requests to construct or alter buildings, or to establish new uses for properties within the City. The City Charter empowers the Board to interpret the meaning and applicability of the provisions of the Building Code, Fire Code, Multiple Dwelling Law, Labor Law, and the City Zoning Resolution and to override decisions of other City agencies.

The Board holds regular public hearings to discuss and decide appeals. Prior to each public session, the Board publishes an agenda of cases scheduled to be heard. After the hearings, it publishes a bulletin summarizing the cases heard and its decisions.

The Board generates revenue from application fees for variances, appeals, and other miscellaneous fees as provided by § 25-202 of the New York City Administrative Code and the

City Environmental Quality Review Regulations. The fees can range from \$440 to \$314,225¹ per application and must be paid by check or money order upon the submission of the application and prior to the application's being placed on the docket to be heard. After Board employees receive the various fees, they are hand-delivered by a staff member from the Board's Records Unit, along with its internally-prepared Deposit Summaries,² to the Department of Citywide Administrative Services (DCAS), which is responsible for depositing the funds into the bank and recording the revenue in the City's Financial Management System (FMS). In Fiscal Year 2017, the Board's revenues as reported in FMS totaled \$1.65 million, consisting of \$1.4 million for variances, \$244,070 for appeals, and \$4,390 for miscellaneous fees.

Audit Findings

Overall, we found that the Board correctly accounted for the revenue it received. The Board charged and collected the appropriate fees, and then forwarded the funds it collected to DCAS, where the funds were deposited and recognized as revenue in FMS. The Board collected the fees prior to scheduling a hearing and heard appeals in accordance with its published agenda. We found that it issued sequentially numbered receipts, properly secured the fee revenue received in a safe, and prepared Deposit Summaries for the funds received.

However, we found that the Board did not comply with the daily-deposit rule established by Comptroller's Directive #11, which states, in part that "[a]ccumulation of in-office cash receipts is not acceptable and all funds received must be deposited in the bank on at least a daily basis, except under extraordinary circumstances."³ While the Board does not necessarily receive application fees on a daily basis, pursuant to Directive #11, the Board should forward all the fees it receives to DCAS for deposit within one day of receipt. However, in Fiscal Year 2017, the Board generally forwarded the fees, in accumulated amounts averaging \$63,462, to DCAS for deposit every two weeks.

Specifically, we found that in Fiscal Year 2017, the Board held \$1.18 million of the \$1.65 million in checks and money orders it collected (which were aggregated in 19 of the 26 Deposit Summaries) for more than one week before delivering them to DCAS for deposit. Overall, the Board held on to the deposits for periods that ranged from 8 to 28 business days. Although the Board holds the checks it receives in a locked safe, the Board's risk that the funds could be lost or stolen increases the longer they remain in its custody, a risk it can mitigate by making timely bank deposits. Further, Citywide adherence to the daily deposit rule, which applies to all City agencies, enables the City to promptly earn interest on its cash and optimize the availability of funds needed for immediate use. Conversely, delays in the City's deposits diminish those opportunities.

¹ The \$314,225 is a set fee charged for a City Environmental Quality Review application for projects that measure over 1 million square feet.

² The Deposit Summary is a bi-weekly reconciliation of fees collected that is prepared by the Revenue Reconciliation Unit at the Board prior to submitting the fees to DCAS for deposit.

³ Comptroller's Directive #11 defines cash receipts as "all payments and deposits received in the form of cash or cash equivalents, including currency, coins, checks, money orders, credit card payments, and electronic fund transfers."

Recommendations

We recommend that the Board transfer the funds it collects to DCAS for deposit within a day of receipt in accordance with Comptroller's Directive #11.

Agency Response

In its response to the audit, the Board agreed with our recommendation and stated that “[t]he Board will comply with this recommendation to the greatest extent practicable given the limited size of the BSA staff and its resources. BSA will explore with DCAS alternate methods of efficient and more timely deposit of funds.”

Audit Scope and Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93 of the New York City Charter. The scope of this audit covers Fiscal Year 2017 (July 1, 2016 to June 30, 2017).

To obtain an understanding of the policies and procedures that apply to the collection and the reporting of application fee revenues by the Board, we reviewed the Board's internal policies, procedures, and reports, as well as criteria from Comptroller's Directive #11, *Cash Accountability and Control*. To gain an understanding of the responsibilities of the Board, we reviewed Chapter 27 of the New York City Charter, which outlines the Board's responsibilities and jurisdiction. We further reviewed the New York City Administrative Code, Title 25, Chapter 2, specifically § 25-202, which establishes the fees charged for each application, appeal, filing and review.

To gain an understanding of the collection and reporting of application fees generated by the Board's activities, we conducted walkthrough meetings with the Executive Director, the Deputy Director, and the Assistant to the Chair, and three Records Specialists from the Records Unit at the Board. To gain an understanding of the process of depositing fees into the City's Treasury account, we conducted a walkthrough meeting with DCAS' Director of Internal Audit, Director of Audit and Accounts, Assistant Commissioner of Fiscal Management, an Audit Supervisor, and an Accountant from Accounts Receivable, as well as a Management Auditor from the Audit department.

To reconcile the population of payments found in the log of receipts maintained by the Board to the source application (applications on file), we obtained the Board's Fiscal Year 2017 Calendar of Receipt Numbers and determined whether the receipts were issued in sequential order and matched the dates recorded in the calendars. To verify that all revenue generated was accounted for, we compared the amounts recorded on the Calendar of Receipt Numbers to the copies of the cancelled checks attached to the applications. To determine whether all fees were deposited, we compared the amounts on the copies of the cancelled checks with the amounts documented on the Deposit Summaries.

To determine whether the fees charged by the Board were appropriate, we obtained the Schedule of Current Filing Fees of the Board, which became effective as of July 11, 2011, and compared it with the fees established by § 25-202 of the City's Administrative Code.

To reconcile the \$1.65 million of fees reported in FMS to the \$1.65 million in fees collected by the Board, we independently obtained the FMS Schedule of Receivables and Cash Receipts Revenue and the Deposit Summaries prepared by the Board along with supporting applications and cancelled checks. We then compared the amounts reported in FMS with the amounts deposited as reflected on each deposit slip. Further, to test the accuracy of the amounts deposited, we compared the total revenue by category as recorded in FMS with the total revenue by category found in the Board's "Summary of Filing Fees" for Fiscal Year 2017.

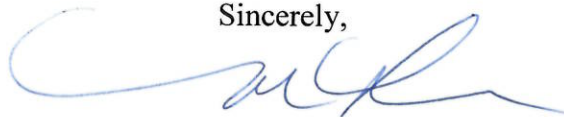
To determine whether DCAS deposited the revenue forwarded by the Board in the City's bank account, we summarized the details of 26 deposits recorded by the Board. We based our summaries on the information found in the Board's Deposit Summaries such as date, deposit amount, revenue source, and the number of checks, and compared it with the detailed cash receipt settlement reports provided by DCAS. We then traced said amounts to the bank statements to determine whether the amounts submitted by the Board to DCAS were in fact deposited.

To determine whether the Board was forwarding funds to DCAS for deposit in a timely manner, we compared the deposit dates on the slips with the dates recorded on the receipt log maintained by the Board and noted all delays in deposits. We also compared the date each Deposit Summary was prepared with the date the Deposit Summary was time-stamped as received by DCAS.

The matters covered in this report were discussed with the Board's officials during and at the conclusion of this audit. A preliminary letter report was provided to the Board and discussed at an exit conference held on May 2, 2018. On May 4, 2018, we submitted a draft letter report providing the Board with the opportunity to formally respond. We received the Board's written response on May 15, 2018. In its response, the Board did not dispute the report's findings or our recommendation that it forward funds collected to DCAS for deposit within a day of receipt. The Board in its response agreed to comply with our recommendation "to the greatest extent practicable given the limited size of the BSA staff and its resources."

The full text of the Board's comment is included as an addendum to this letter report.

Sincerely,



Marjorie Landa

c: Carlo Costanza, Executive Director, Board of Standards and Appeals
Emily Newman, Acting Director, Mayor's Office of Operations
George Davis III, Deputy Director, Mayor's Office of Operations



**Board of Standards
and Appeals**

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Margery Perlmutter
Chair/Commissioner

May 11, 2018

Marjorie Landa
Deputy Comptroller for Audit
Bureau of Audit
NYC Office of the Comptroller
One Centre Street, Room 100
New York, NY 10007

Dear Ms. Landa:

Thank you for the opportunity to comment on the draft Audit Report on Collection and Reporting of Revenues by the Board of Standards and Appeals. Below is the Board's response to the recommendation by the Comptroller's Office contained in the draft report dated May 4, 2018. The report's recommendation is in bold, followed by the Board's response in italics.

1. **The Board transfer the funds it collects to DCAS for deposit within a day of receipt in accordance with Comptroller's Directive #11.**

BSA Response: The Board will comply with this recommendation to greatest extent practicable given the limited size of the BSA staff and its resources. BSA will explore with DCAS alternate methods of efficient and more timely deposit of funds.

Sincerely,

A handwritten signature in black ink, appearing to be "MP", written over a faint circular stamp.

Margery Perlmutter, R.A., Esq.
Chair/Commissioner

MP/cc:al