



# City of New York

## OFFICE OF THE COMPTROLLER

**Scott M. Stringer**  
**COMPTROLLER**



## FINANCIAL AUDIT

**Marjorie Landa**

Deputy Comptroller for Audit

Audit Report on the Procurement and  
Discretionary Grant Practices of the  
Staten Island Borough President's  
Office

FK19-054A

June 27, 2019

<http://comptroller.nyc.gov>



THE CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
SCOTT M. STRINGER

June 27, 2019

To the Residents of the City of New York:

My office has audited the Staten Island Borough President's Office (SIBPO) to determine whether the SIBPO complied with applicable procurement and discretionary grant rules, regulations, and policies and procedures and whether its operating expenditures and discretionary grants were reasonable, appropriate, adequately supported, and properly approved. We audit City agencies, such as the SIBPO, to increase accountability and ensure that funds are used appropriately.

The audit found that the SIBPO did not fully comply with Comptroller's Directives or its own informal policies and procedures applicable to discretionary grants. The SIBPO did not ensure that discretionary grants were awarded properly because it did not obtain required documentation that would enable it to be alert to conflicts of interest from any sampled grantees, did not document the results of its pre-award vetting process for any sampled grantees, and did not properly vet three grantees. Furthermore, the SIBPO did not obtain or review supporting documentation before it issued 19 grants totaling \$304,585, and did not conduct field visits to any sampled grantee sites to ensure that sampled grantees expended City funds only for the intended purposes and delivered services to the intended recipients. With respect to the SIBPO's own operating expenditures, the audit also found that the SIBPO did not fully comply with applicable procurement rules, regulations, and policies and procedures to ensure that its expenditures were appropriate, adequately supported, and properly approved.

The audit makes 17 recommendations, including that the SIBPO should: obtain and review grant documentation prior to authorizing payment; conduct timely field visits to ensure that discretionary grant funds are used for their intended purposes; properly conduct and document the grant vetting process and ensure that the results are reported to the appropriate personnel before decisions on grant-awards are made; obtain complete lists of organizations' directors, executives, and principals at the time of the grant and use those lists to identify potential conflicts of interest; ensure that a Blue Slip is completed and approved for expenditures that require one prior to initiating a purchase; ensure that receipts, invoices, and other documentation to show that expenditures were related to SIBPO operations are maintained on file; and ensure that Blue Slip approvers review the descriptions and justifications for expenditures to ensure that Blue Slips adequately describe how the expenditure relates to SIBPO operations.

The results of the audit have been discussed with SIBPO officials and their comments have been considered in preparing this report. The SIBPO's complete written response is attached to this report. If you have any questions concerning this report, please e-mail my Audit Bureau at [audit@comptroller.nyc.gov](mailto:audit@comptroller.nyc.gov).

Sincerely,

Scott M. Stringer

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# **THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER FINANCIAL AUDIT**

## **Audit Report on the Procurement and Discretionary Grant Practices of the Staten Island Borough President's Office**

**FK19-054A**

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### **EXECUTIVE SUMMARY**

The Borough Presidents are the executive officials of New York City's (City) five boroughs; each is elected to a four-year term. The Staten Island Borough President's Office (SIBPO) is responsible for advocating for Staten Island and its residents, and representing their interests in City government.

The SIBPO Procurement Department manages its Other Than Personal Services (OTPS) expenditures which include: (1) expenditures on operational items, such as office supplies, equipment, utilities, and contractual services; and (2) awards of discretionary grants to not-for-profit organizations. For Fiscal Year 2018, the SIBPO reported OTPS expenditures totaling \$977,211, of which \$822,766 was for discretionary grants and \$154,445 was for operating expenditures.

We conducted this audit to determine whether the SIBPO complied with applicable procurement and discretionary grant rules, regulations, and policies and procedures and whether its operating expenditures and discretionary grants were reasonable, appropriate, adequately supported, and properly approved.

### **Audit Findings and Conclusions**

Based on our review of 25 sampled discretionary grants totaling \$452,826, we found that the SIBPO did not fully comply with Comptroller's Directives or its own informal policies and procedures applicable to discretionary grants. The SIBPO did not ensure that discretionary grants were awarded properly because it did not obtain required documentation that would enable it to be alert to conflicts of interest from any sampled grantees, did not document the results of its pre-award vetting process for any sampled grantees, and did not properly vet three grantees. Furthermore, the SIBPO did not ensure that sampled grantees expended City funds only for the intended purposes and delivered services to the intended recipients. The SIBPO did not obtain or review supporting documentation before it issued 19 grants totaling \$304,585, and did not conduct field visits to any sampled grantee sites.

With respect to the SIBPO's own operating expenditures, based on our review of 37 sampled expenditures totaling \$69,916, we found that the SIBPO did not fully comply with applicable procurement rules, regulations, and policies and procedures. Specifically, we found that 17 expenditures totaling \$43,342 were either not properly approved, not adequately supported, not appropriate, or were affected by a combination of those issues.

In addition, the SIBPO did not stamp invoices, receipts, or other supporting documentation as paid or vouchered, to provide an audit trail and prevent duplicate payments. The SIBPO also charged some expenditures to the incorrect object codes in FMS, which hinders management's ability to plan for future spending and prevents City agencies, oversight authorities, and the public from seeing how City agencies spend their money.

## Audit Recommendations

To address these issues, we make a total of 17 recommendations, including that the SIBPO should:

- Obtain and review grant documentation including but not limited to invoices and receipts, event flyers or advertisements, and canceled checks, prior to authorizing payment;
- Conduct timely field visits to ensure that discretionary grant funds are used for their intended purposes;
- Properly conduct and document the grant vetting process and ensure that the results are reported to the appropriate personnel before decisions on grant-awards are made;
- Obtain complete lists of organizations' directors, executives, and principals at the time of the grant and use those lists to identify potential conflicts of interest;
- Ensure that a Blue Slip<sup>1</sup> is completed and approved for expenditures that require one prior to initiating a purchase;
- Ensure that receipts, invoices, and other documentation to show that expenditures were related to SIBPO operations are maintained on file at the SIBPO;
- Ensure that Blue Slip approvers review the descriptions and justifications for expenditures to ensure that Blue Slips adequately describe how the expenditure relates to SIBPO operations;
- Ensure that it charges expenditures to the correct object code in accordance with Comptroller's Directive #24;
- Ensure that invoices, receipts or supporting documentation for Imprest Fund expenditures are stamped or annotated as follows: PAID, CHECK #, DATE; and
- Ensure that FMS payment documents are stamped as vouchered immediately after a voucher is prepared.

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<sup>1</sup> A "Blue Slip" is the name used by the SIBPO for an internal purchase requisition.

## Auditee Response

In its response, the SIBPO disagreed with the auditors' interpretation of several of the standards applied and thus, the audit report's findings regarding: documenting the vetting process for organizations that request discretionary grant funding; obtaining and reviewing supporting documentation and conducting field visits to ensure that discretionary grant funds are used for their intended purposes; and operating expenditures. Nevertheless, the SIBPO generally agreed with the audit's 17 recommendations.

# AUDIT REPORT

## Background

The Borough Presidents are the executive officials of the City's five boroughs; each is elected to a four-year term. The City Charter grants Borough Presidents the following powers and duties for their respective boroughs, among others:

- Review and analyze proposed City budgets;
- Monitor and make recommendations on contract performance relating to the delivery of services;
- Review and make recommendations on land use, development, or improvement proposals;
- Introduce legislation to the City Council;
- Appoint and provide training and technical assistance to community board members;
- Recommend capital projects; and
- Hold hearings on public interest matters.

The SIBPO is responsible for advocating for Staten Island and its residents, and representing their interests in City government.

The SIBPO Procurement Department manages the office's OTPS expenditures, and processes expenditures through the City's Financial Management System (FMS) or, if an expenditure is \$250 or less, the SIBPO may pay it directly from its Imprest Fund bank account. The SIBPO's OTPS expenditures include: (1) expenditures on operational items, such as office supplies, equipment, utilities, and contractual services; and (2) awards of discretionary grants.

Prior to initiating an operating expenditure, SIBPO employees must complete an internal purchase requisition, known as a Blue Slip, and obtain approval from the Chief of Staff and from the Agency Chief Contracting Officer (ACCO). The Blue Slip notifies the Procurement Department of the user's intent to purchase goods or services and includes information such as the vendor name, and purchase description, justification, and anticipated cost.

Comptroller's Directive #23 states that "Borough Presidents receive discretionary funds through the City's budgetary process and have wide latitude in how these funds are expended. . . . Discretionary funds have been used primarily for grants to not-for-profit organizations, cultural events, community needs and consultant services. At times they are also used for routine operating purposes."<sup>2</sup>

In accordance with SIBPO procedures, not-for-profit organizations apply for discretionary grants by submitting an email or written request to the SIBPO in which the applicant specifies the

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<sup>2</sup> This audit reviewed discretionary grants that are part of the SIBPO's expense budget and did not include a review of capital grants funded through the City's capital budget. According to the Independent Budget Office, "[t]he Capital Budget is a separate budget covering one fiscal year, funding physical infrastructure used either in support of government operations (such as government offices, schools, and fire stations) or for general public use (such as roads, bridges, libraries, and parks)" and "to be included in the Capital Budget, individual projects must have a value of at least \$35,000 and a period of probable usefulness of at least five years."

organization's purpose, the intended use of the grant funds, and the requested dollar amount. Upon receiving a grant request, the SIBPO vets organizations to ensure that they are up-to-date with their 501(c)(3) tax-exempt status and required filings of their Internal Revenue Service (IRS) Form 990 returns and New York State Annual Filing for Charitable Organizations (CHAR 500). The SIBPO also conducts internet research on each organization to determine whether: (1) there is publicly available adverse information about the organization; (2) the organization is located on Staten Island and serves Staten Island residents; and (3) conflicts of interest exist.

The SIBPO may award discretionary grants either for: (1) reimbursements of expenditures that were previously incurred and paid by the organization; or (2) advances to organizations before expenditures are incurred and paid. Comptroller's Directive #23 states that "[b]efore authorization of payments to any organization or group, a written statement approved by the Borough President or designee which describes the purpose of the proposed grant must be prepared and kept on file." To satisfy this requirement, the SIBPO completes an internal control sheet that states the amount and purpose of the grant and is approved by the Budget Director and the ACCO.

For grants of \$5,000 or more, the SIBPO enters into written grant agreements with approved organizations. The grant agreement details the total funding amount and scope of services and includes provisions for the recipient's submission of supporting documentation, such as copies of canceled checks, invoices, and receipts. The agreement also states that recipients must return unused funds "no later than 15 days after the termination of the contract program." For grants of less than \$5,000, the SIBPO does not enter into a formal written grant agreement. Rather, the SIBPO completes an internal control sheet that contains grant details as described above. Once the grant has been awarded, Comptroller's Directive #23 states that "[t]he Borough President must monitor grantee activities to insure that funds are properly expended for the intended purpose by" conducting monitoring activities which include, but are not limited to, "field visits to grantee sites to insure that services are being delivered as specified in the grant."

The Borough President formally approves discretionary grants of \$5,000 or more, while the ACCO and Budget Director approve grants of less than \$5,000. The SIBPO Director of Constituent Services & Capital Budget (the Director) is responsible for reviewing all grant requests, vetting grantees, collecting and reviewing required documentation, and monitoring grantee activities. The SIBPO Chief of Staff and ACCO are responsible for reviewing and authorizing payments to grantees in FMS.

When procuring goods and services and awarding discretionary grants, the SIBPO must comply with the City's Procurement Policy Board (PPB) Rules, relevant Comptroller's Internal Control and Accountability Directives, and Memoranda and the SIBPO Policy and Procedure Manual (the SIBPO Manual).

Table I below summarizes the SIBPO's OTPS expenditures for Fiscal Year 2018.



**Table I**

SIBPO OTPS Expenditures for  
Fiscal Year 2018

Type of Expenditure	# of Transactions	\$ Amount
Discretionary Grants	95	\$822,766 <sup>3</sup>
Operating Expenditures		
• FMS Expenditures	200	\$149,320
• Imprest Fund Expenditures	47	\$5,125
<b>Total</b>	<b>342</b>	<b>\$977,211</b>

## Objectives

The objectives of this audit were to determine whether the SIBPO complied with applicable procurement and discretionary grant rules, regulations, and policies and procedures and whether its operating expenditures and discretionary grants were reasonable, appropriate, adequately supported, and properly approved.

## Scope and Methodology Statement

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

This audit covered the period of July 1, 2017 through June 30, 2018. Please refer to the Detailed Scope and Methodology at the end of this report for the specific procedures and tests that were conducted.

## Discussion of Audit Results

The matters covered in this report were discussed with SIBPO officials during and at the conclusion of this audit. A preliminary draft report was sent to the SIBPO and discussed at an exit conference on May 1, 2019. At the exit conference, SIBPO officials provided additional information regarding certain issues discussed in the report, which was considered in connection with the preparation of the draft report. On June 10, 2019, we submitted a draft report to the SIBPO with a request for written comments. We received a written response from the SIBPO on June 24, 2019.

In its response, the SIBPO disagreed with the auditors' interpretation of several of the standards applied and thus, the audit report's findings regarding: documenting the vetting process for

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<sup>3</sup> The SIBPO awarded discretionary grants ranging from \$500 to \$95,000.

organizations that request discretionary grant funding; obtaining and reviewing supporting documentation and conducting field visits to ensure that discretionary grant funds are used for their intended purposes; and operating expenditures.

Nevertheless, the SIBPO generally agreed with the audit's 17 recommendations. With regard to the audit report's recommendation to obtain and review grant documentation prior to authorizing payment, the SIBPO stated that it "will request and review grant documentation before and after authorizing grant payments—consistent with the discretion Borough Presidents are granted in Comptroller's Directive 23. We will take steps...to collect all required supporting documentation before authorizing payments. SIBPO will reserve the right, in line with Directive 23, to make exceptions to this recommendation under certain circumstances which it will work to identify and expressly enumerate."

While we appreciate the SIBPO's extensive response to the audit, as explained in the body of the report, we correctly applied the applicable standards—including Comptroller's Directive #23, SIBPO grant agreements, SIBPO informal policies and procedures for discretionary grants, the SIPBO Manual, and best practices—which are designed to ensure that City funds are used appropriately.

The full text of the SIBPO's response is included as an addendum to this report.

## FINDINGS AND RECOMMENDATIONS

Based on our review of 25 sampled discretionary grants totaling \$452,826, we found that the SIBPO ensured that a written statement describing the purpose of each sampled grant was approved by the Borough President or a designee prior to authorizing payments of discretionary funds. However, the SIBPO did not fully comply with various Comptroller's directives or its own informal policies and procedures applicable to its awards of discretionary grants, and did not ensure that the awards and payments of discretionary grants were adequately supported. In addition, the SIBPO did not document the results of its pre-award vetting process for any sampled grantees and did not properly vet three grantees. Further, the SIBPO did not obtain required documentation from any sampled grantees that would enable it to be alert to conflicts of interest.

After the SIBPO awarded grants, the SIBPO did not conduct any field visits to ensure that sampled grantees expended City funds only for the intended purposes and delivered services to the intended recipients as specified in grant agreements. Further, the SIBPO did not obtain or review supporting documentation before it issued 19 grants totaling \$304,585, to ensure that grantees adequately accounted for expenditures that the SIBPO reimbursed with grant funds.

With respect to the SIBPO's own operating expenditures, based on our review of 37 sampled expenditures totaling \$69,916, we found that the SIBPO ensured that the correct voucher type was used when processing expenditures through FMS and that it used City requirements contracts whenever available. However, the SIBPO did not fully comply with applicable procurement rules, regulations, and policies and procedures. Specifically, we found that 17 expenditures totaling \$43,342 were not properly approved, not adequately supported, not appropriate, or were affected by a combination of those issues.

In addition, the SIBPO did not stamp invoices, receipts, or other supporting documentation as paid or vouchered, to provide an audit trail and prevent duplicate payments. The SIBPO also charged some expenditures to the incorrect object codes in FMS, which hinders management's ability to plan for future spending and prevents City agencies, oversight authorities, and the public from seeing how City agencies spend their money.

These findings are discussed in the following sections of this report.

### Discretionary Grants

#### **The SIBPO Did Not Obtain or Review Supporting Documentation before Authorizing Payments to Grantees**

Comptroller's Directive #23, *Monitoring and Accountability of Discretionary Funds Provided to Borough Presidents* Section 3.3, states that

Grantees should adequately account for awarded funds. Such accounting includes but is not necessarily limited to:

- The maintenance of adequate books and records to account for grant revenues and expenditures.
- Maintaining supporting documentation such as timesheets, invoices, receipts and other information. For example, if amounts were allocated for a street

fair, copies of advertisements, flyers and street permits should be on file at the Borough President's Office to show that the event took place.

Accordingly, the SIBPO grant agreements state that “[p]ayment is subject to submission by [grantee] to the Office of the Borough President of documentary evidence of the expenditure of the funds for the purposes allocated such as by copies of canceled checks, or ‘paid’ marked invoices and/or receipts.”

As previously noted, the SIBPO may award discretionary grants either for reimbursements of expenditures that were previously incurred and paid by the organization, or for advances to organizations before expenditures are incurred and paid. For Fiscal Year 2018, we reviewed a sample of 25 discretionary grants, all of which were reimbursements of expenditures that had previously been incurred and paid by the grantees.

The SIBPO informal procedures require the Director to obtain and review the grantees’ supporting documentation for all grants issued by the SIBPO. Afterwards, the Director forwards the supporting documentation to the SIBPO Procurement Department for its review, approval, and payment. The SIBPO Chief of Staff and ACCO are responsible for providing the final review and approval for payments in FMS.

However, for the 25 sampled discretionary grants, the Director, Procurement Department staff, and supervisory personnel did not ensure, prior to authorizing payment, that grantees submitted required supporting documentation. As mentioned above, all 25 sampled discretionary grants were made to reimburse grantees for expenditures that had previously been incurred and paid by them. Therefore, all supporting documentation for those expenditures should have been available to the grantees and should have been obtained by the SIBPO prior to authorizing reimbursement payments to the grantees.

Based on our review of the 25 sampled discretionary grants totaling \$452,826, we found that the SIBPO did not obtain adequate supporting documentation for payments in connection with 19 grants, totaling \$304,585 (67.3 percent of the total dollar amount sampled).<sup>4</sup> Specifically, the SIBPO did not obtain one or more of the following types of required documentation: invoices or receipts (5 grants, totaling \$14,755), event flyers or advertisements (5 grants, totaling \$74,964), or canceled checks (19 grants, totaling \$275,467). Consequently, we are not reasonably assured that grant funds were used for their intended purposes.

Further, SIBPO officials did not adequately review grantees’ supporting documentation to ensure that the grant funds were used for the intended purposes. Based on available documentation, it appears that one grantee may not have used grant funds for their intended purpose. Specifically, the SIBPO issued a \$5,000 grant for the purpose of reimbursing the grantee for certain costs of an English as a Second Language (ESL) program, which purported to include advertising, lesson planning, test review and grading, supplies and textbooks, and data collection. However, it appears that the grantee used the grant funds to make payments to three individuals who were owners of the building where the ESL program purportedly took place.

After we presented the SIBPO with our preliminary finding of inadequate documentation in the files to support a majority of our sampled payments, SIBPO officials stated that Comptroller’s Directive #23 does not specify a time frame in which supporting documentation must be collected.

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<sup>4</sup> Of the 19 grants for which the SIBPO did not obtain adequate supporting documentation, 7 grants were missing multiple pieces of required supporting documentation. If the SIBPO was missing multiple pieces of supporting documentation for a particular grant, such as an invoice and a canceled check, the amount was only included once in the finding total.

Further, SIBPO officials stated that the required documentation was not on file because the audit covered a fiscal year that was not “closed” and that once the fiscal year is closed out, the Procurement Department completes a “SIBP Grant Checklist” to confirm that all required documentation is on file. The SIBPO’s reference to the fiscal year being “closed” does not relate to the fiscal year end date of June 30, 2018, but rather to the office’s recordkeeping procedures for Fiscal Year 2018 discretionary grants. However, we were never informed of a clear timetable when a fiscal year closeout would occur. Additionally, SIBPO officials stated that it is a small office and was understaffed because a Procurement Associate resigned.

The SIBPO also stated that it may authorize payments to grantees before obtaining required documentation in order to ensure that the grants are processed in FMS during the correct fiscal year. When the SIBPO authorizes a payment in FMS, FMS generates a check which is held by the SIBPO. According to the SIBPO, vendor invoices should always be on file; however, copies of grantees’ canceled checks may not be available before the SIBPO authorizes payments in FMS because grantees may not have received their bank statements. The SIBPO stated that it does not issue checks to grantees until they submit required supporting documentation. However, in all of the 19 cases where supporting documentation was missing, the SIBPO had not only authorized but also issued the checks to the grantees.

As previously stated, SIBPO grant agreements stipulate that payment is subject to the grantee submitting documentary evidence of the expenditure. Moreover, for the 25 sampled discretionary grants, the SIBPO had more than ample time to collect the required documentation. For all of those grants, we reviewed supporting documentation that the SIBPO had on file through January 4, 2019—between 6 and nearly 18 months after the expenditures in question were incurred and paid, and more than 6 months after the City’s fiscal year end. Further, the SIBPO Procurement Department was fully staffed until the Procurement Associate resigned on December 23, 2018.

On February 6, 2019, we informed the SIBPO that 19 grants were not adequately supported. For those 19 grants, expenditures totaling \$304,585 were not adequately supported. Subsequently, between February 21, 2019 and May 16, 2019, the SIBPO provided additional documentation from 17 grantees to support grant funds totaling \$284,100.

However, based on our review of the additional documentation provided, the grantees incurred and paid for all of these expenses before the SIBPO authorized their grant payments and issued checks to the grantees. Consequently, as stipulated by its grant agreements, the SIBPO should have obtained the supporting documentation *before* it authorized the payments. Since this documentation was not on file with the SIBPO when we conducted our initial review, and was instead provided more than 8 and 21 months after the corresponding expenditures were incurred and paid, we can place only limited reliance on it. Moreover, its production after the fact does not excuse the SIBPO’s having reimbursed grantees for expenses before obtaining or reviewing any supporting documentation in accordance with its grant agreements.

With regard to the \$5,000 grant for the ESL program, SIBPO officials stated that the grantee informed it that the three owners of the building provided ESL services. However, based on the landlord-tenant relationship between the building owners and the grantee, and other issues we noted in the supporting documentation the SIBPO provided, we continue to question whether grant funds were used for their intended purpose.

**SIBPO Response:** With regard to obtaining and reviewing supporting documentation before authorizing payments to grantees, the SIBPO stated that it “respectfully contends that the Comptroller’s Office has applied an overly stringent standard which is not



supported by Comptroller's Directive 23, SIBPO's informal policies, or SIBPO's executed grant agreements for fiscal year 2018. . . .

The Comptroller's audit correctly cites that SIBPO's grant agreements state that, 'payment is subject to submission by [grantee] to the Office of the Borough President of documentary evidence of the expenditure of the funds for the purposes allocated such as by copies of canceled checks, or 'paid marked invoices and/or receipts'.' We respectfully dispute the Comptroller's Office's interpretation of this provision as a requirement that SIBPO obtain all supporting documentation before authorizing payment of the grant.

This longstanding provision is intended to clearly require, without specifying timing, that the grantee must provide requisite documentary evidence that grant funds were used for their intended purposes. It is *not* meant to require all supporting documents be submitted by the grantee as a precondition for authorizing payment, otherwise there would be no purpose in entering into the grant agreement before all such documents were provided.

The grant agreement is executed to memorialize an award of discretionary grant funding and empower SIBPO to enforce the terms tied to that award, rather than to create a tentative agreement which would only be effectuated upon the fulfillment of a precondition. And as a matter of informal procedure, while SIBPO seeks to collect supporting documentation even before a grant agreement is executed, it does not make collecting all supporting documents a prerequisite for authorizing payment. To resolve the ambiguity of this provision, SIBPO will clarify the language in future agreements.

It is important to clarify a statement in the Comptroller's audit which is attributed to the SIBPO—that SIBPO stated 'it does not issue checks to grantees until they submit required supporting documentation.' We respectfully dispute the accuracy of this statement attributed to the SIBPO and assert that it is both incorrectly paraphrased and taken out of context. This excerpt was part of a longer statement making the case that it is, in fact, the Comptroller's Office which cuts the check, and thereby, functionally authorizes the payment to grantees—not the SIBPO. We argued further, that in cutting the check, the Comptroller's Office never inquired about or ensured that the supporting documentation precondition which it imposed had been met. . . .

The Comptroller's Office takes issue with SIBPO's inability to produce these documents until 8-21 months after corresponding expenditures were incurred and paid. They do not, however, cite to a rule or requirement in the Comptroller's Directives which specifies a timeframe or applies a standard for when these documents must be collected. Comptroller's Directive 23 does not limit the period of time Borough Presidents have to collect supporting documents and verify that grants funds have been expended as intended. . . .

We believe SIBPO's procedures and practices with regard to collecting supporting documentation, while certainly in need of fine tuning and improvement, were nonetheless consistent with Directive 23. SIBPO's stewardship of grant funds does not stop at the end of the fiscal year or at some artificially predetermined 'fiscal close'—it continues until SIBPO is certain, and has the evidence to verify, that grantees used grant funds as intended."

**Auditor Comment:** The SIBPO's procedures and practices are not consistent with Comptroller's Directive #23 or with statements that the SIBPO made during and at the conclusion of the audit. Comptroller's Directive #23 states that "[t]he purpose of this

Directive is to ensure that the Offices of the Borough Presidents have adequate controls over discretionary fund expenditures. . . . Borough Presidents should be able to fully document use of these funds and show how these expenditures relate to official City business.”

To that end, during the course of the audit, the SIBPO stated that it obtains and reviews supporting documentation prior to authorizing payments to grantees. After we presented our findings to the SIBPO reflecting that these procedures were not followed in a majority of the grants we sampled, the SIBPO then stated that it may authorize payments to grantees before obtaining required documentation, in order to ensure that the grants are processed in FMS during the correct fiscal year, but it does not issue checks to grantees until they submit required supporting documentation.

In its formal written response, the SIBPO now disavows its earlier statement that payments are not issued until all supporting documentation is acquired, contending that the statement was taken out of context. Instead, the SIBPO states that “as a matter of informal procedure, while SIBPO seeks to collect supporting documentation even before a grant agreement is executed, it does not make collecting all supporting documents a prerequisite for authorizing payment.” Further, while the SIBPO asserts that its “stewardship of grant funds...continues until SIBPO is certain, and has the evidence to verify, that grantees used grant funds as intended” it provides no time frame for doing so.

However, as previously noted in our report, the SIBPO failed to obtain and review supporting documentation for payments in connection with 19 grants, totaling \$304,585 (67.3 percent of the total dollar amount sampled), prior to issuing payment to grantees. After our preliminary findings to this effect were presented, the SIBPO provided us with some additional supporting documentation that it had not previously obtained for some of the 19 grants. Contrary to the SIBPO’s statement in its response, however, the SIBPO did not provide “all of the required documentation deemed missing for the identified grants in the sample.”

Further, the SIBPO also asserts that the Comptroller’s Office is responsible for ensuring that the SIBPO collect required documentation to support its grants. That is incorrect. Responsibility lies with the SIBPO, the agency seeking to have a payment issued. Comptroller’s Directive #24 clearly states that “Payment Vouchers require two approvals by FMS users as assigned by the agency. Each approver acts as a check on the other’s decisions; therefore, appropriate consideration must be made when assigning employees approval authority. 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.”

**SIBPO Response:** With regard to the \$5,000 grant for the ESL program, the SIBPO stated that “[a]s soon as the Comptroller’s Office alerted us to this issue, SIBPO met in-person with the director of the community group and questioned him about the Comptroller’s Office’s findings. The director maintained that the grant funds—while expended to the three identified owners of the building in which the ESL program took place—were nevertheless used to compensate those three individuals for the services they provided as intended by the grant. He vehemently denied that grant funds were used to pay the organization’s rent.

The Comptroller’s Office recommends that SIBPO consider recouping the funds from the grantee. SIBPO shares the Comptroller’s Office’s concerns about whether grant funds

were used appropriately, and therefore, accepts the Comptroller's recommendation to consider recoupment of the grant funds. We have requested additional documentation from the director of the community organization and are investigating the matter. To add, we have informed the director that SIBPO will recoup the grant funds if evidence documenting how those funds were used is not provided."

## **The SIBPO Did Not Conduct Field Visits to Monitor the Use of Discretionary Fund Grants**

Comptroller's Directive #23, Section 3.2, states that "[t]he Borough President must monitor grantee activities to insure that funds are properly expended for the intended purpose by. . . . Conducting field visits to grantee sites to insure that services are being delivered as specified in the grant." Accordingly, SIBPO grant agreements state that the grantee "agrees to permit any and all field visits and inspections by employees of the Office of the Borough President to program sites to insure that the services are being delivered as specified in this contract." The SIBPO informed us that it conducts field visits, completes Field Observation Staff Reports to document the results, and keeps them on file.

On January 3, 2019—approximately six months after the fiscal year end—the SIBPO informed us that it conducted "a few field visits" to the grantees that received funds during Fiscal Year 2018 and was "in the process of completing the reports." However, based on our review of 25 sampled discretionary grants, we found no evidence that the SIBPO had conducted *any* field visits or completed any Field Observation Staff Reports. By failing to conduct field visits, the SIBPO cannot be assured that organizations used discretionary grant funds for the intended purpose and provided services to intended recipients.

For 12 grants, totaling \$174,341, we conducted unannounced field visits approximately six months after the end of the fiscal year to determine whether the grantees had used funds for their intended purposes, which included program operations, equipment or furniture, and repairs and maintenance. Based on our observations, we are reasonably assured that the grantees used the funds for their intended purposes. However, all 12 grantees informed us that the SIBPO had not conducted field visits for the Fiscal Year 2018 grants.

After we presented our findings to the SIBPO, SIBPO officials stated that: (1) Comptroller's Directive #23 does not specify a time frame in which it must conduct field visits; (2) not all grants require a field visit, and the SIBPO can monitor grantees in other ways; and (3) the SIBPO conducted some field visits and was still in the process of completing the reports.

While Comptroller's Directive #23 does not specify a time frame in which Borough Presidents *must* conduct field visits, the SIBPO *should* conduct timely field visits to ensure that discretionary grant funds "*are properly expended* for the intended purpose," as the directive requires, and that "*services are being delivered* as specified in the grant." [Emphasis added.] For the 25 sampled discretionary grants, the SIBPO issued checks to grantees between March 9, 2018 and December 10, 2018—more than 6 and 15 months ago. As of the date of this report, the SIBPO has not provided us with field visit reports for *any* of the 25 sampled discretionary grants.

We acknowledge that Comptroller's Directive #23 states that guidelines may be adapted "as appropriate, for each case. For example, a minor award to a community group for a single event requires an accounting, but may not need as rigorous a degree of monitoring and accountability as a substantial grant to a not-for-profit organization which will provide services over a period of time." However, the SIBPO did not employ other types of monitoring and accountability for the

grants we sampled. As previously stated, the SIBPO did not obtain adequate supporting documentation for payments in connection with 19 grants, totaling \$304,585 (67.3 percent of the total dollar amount sampled).

**SIBPO Response:** “We respectfully contend that the Comptroller’s Office again applies a standard that is not supported by Comptroller’s Directive 23, SIBPO’s informal policies, or any language in SIBPO’s executed grant agreements for fiscal year 2018. There isn’t a specified timeframe within which Borough Presidents must conduct field visits after a grant has been awarded—nor is there any mention of a ‘timely’ standard for conducting field visits. . . .

This is consistent with the Directive’s express intent to respect the ‘wide latitude’ Borough Presidents have in expending discretionary grant funds. . . .

SIBPO believes that its field visit practices met the ‘appropriate’ standard set forth in Directive 23. The four SIBPO employees processed, managed, and were responsible for monitoring 95 grants for the fiscal year 2018 audit period. It is important to note that 80% or 76/95 grants were awarded in June—within the last 30 days of the fiscal year.

That means that SIBPO could potentially be responsible for conducting up to 95 field visits, with 76 of those field visits only possible after the end of the fiscal year. To put that in perspective, in order to complete just those 76 field visits by the end of the next fiscal year, twelve months later, SIBPO would have to conduct up to approximately *one field visit every three business days*. . . .

To meet the Comptroller’s Office’s stated requirement, SIBPO would have to hire a full-time employee responsible solely for field visits—or it would have to significantly cut the volume of grants it awards to community organizations.”

**Auditor Comment:** While Comptroller’s Directive #23 states that Borough Presidents have wide latitude in *how* discretionary funds are expended, it states that “[t]he Borough President *must* monitor grantee activities to insure that funds are properly expended for the intended purpose by . . . Conducting field visits to grantee sites to insure that services are being delivered as specified in the grant.” [Emphasis added.] The audit report acknowledges that Comptroller’s Directive #23 does not specify a time frame in which Borough Presidents must conduct field visits. However, as previously stated, the SIBPO should conduct timely field visits to ensure that discretionary grant funds “are properly expended for the intended purpose,” as the directive requires.

While the SIBPO states that its field visit practices met the “appropriate” standard set forth in Comptroller’s Directive #23, that statement is not reasonable in light of the uncontested fact: the SIBPO failed to conduct *any* field visits for our sample of 25 discretionary grants or employ other types of monitoring. We note that over the course of 2 days, the 3-person audit team was able to conduct field visits for 12 grantees at 19 locations throughout Staten Island.

## The SIBPO Did Not Properly Vet Grantees

Comptroller’s Directive #23 states that “[d]iscretionary funds have been used primarily for grants to not-for-profit organizations, cultural events, community needs and consultant services.” The SIBPO informed us that it vets organizations that submit an email or written grant request to ensure they are up-to-date with their 501(c)(3) tax-exempt status and annual IRS Form 990 and

CHAR500 filings. In addition, the SIBPO informed us that it conducts internet research to ensure that organizations have a Staten Island location and serve Staten Island residents, and that there is no publicly available adverse information or evidence of a conflict of interest. However, the SIBPO did not document its vetting process. Consequently, we cannot be reasonably assured that the SIBPO properly vetted grantees, or that the SIBPO even vetted them at all.

For Fiscal Year 2018, we sampled 25 discretionary grants totaling \$452,826. Based on our review, we found that the SIBPO did not document the results of its vetting process for any of the 25 sampled grants. In addition, we found that the SIBPO did not properly vet three grantees' not-for-profit status prior to issuing discretionary grants. In the absence of a properly conducted and documented vetting process, the SIBPO may (and as discussed below, in three instances did) issue grants to organizations that are not tax-exempt, or not up-to-date on their filings, or that do not serve Staten Island, or are not responsible.

We independently vetted the 25 sampled grantees and found that two organizations that received grants totaling \$30,000 were not current on their IRS Form 990 and CHAR500 filings—both at the time they received the SIBPO discretionary grants and the time of our review. In addition, we found that one organization that received a \$25,000 grant had never filed a CHAR500, although it had formed and been granted tax-exempt status effective December 12, 2014, more than three years before the grant date. Since the SIBPO was not aware of these issues, we are not reasonably assured that the SIBPO properly vetted grantees prior to awarding them discretionary grants or factored vetting results into the award process for Fiscal Year 2018.

During the course of the audit and when we initially presented our findings to the SIBPO, SIBPO officials stated that the SIBPO vets all organizations and that if issues arise during the vetting process, it would not award a grant to an organization. However, at our exit conference, SIBPO officials stated that the SIBPO vets organizations on a case-by-case basis. In determining which organizations it will vet, SIBPO officials stated that the SIBPO considers (1) the SIBPO's knowledge of and past working relationship with the organization; (2) the size of the organization; and (3) whether other governmental entities, such as the New York City Council, awarded funds to the organization. Further, SIBPO officials stated that it vets organizations only when they first apply for discretionary grant funds.

When awarding discretionary funds to organizations, the SIBPO should not rely solely on its institutional knowledge, a prior year's vetting, other government entities' awards, or a combination of those three measures, to ensure that City funds allocated for the SIBPO's use are awarded only to responsible organizations. As evidenced by our audit findings, forgoing vetting procedures before approving a grant, even to a known organization, is not a sound practice. The SIBPO awarded three grants, totaling \$55,000, to organizations that either failed to file their IRS Form 990 or CHAR500 altogether or were not current with their filing obligations. In each of the three cases, the SIBPO had knowledge of the organizations, all of which had received funds previously from the SIBPO or other government entities.

The SIBPO should ensure that City funds are awarded only to responsible organizations and implement formal policies and procedures, similar to those of the New York City Council, which also issues discretionary grants. The New York City Council's Discretionary Funding Policies and Procedures state:

[a]ll organizations must demonstrate eligibility and integrity in order to receive discretionary funding. The Council has an extensive vetting process, which includes, but is not limited to the following:



- Not-For-Profit Business Records Searches
- News article searches
- Potential conflicts of interest
- Tax Warrant database searches
- Status as a not-for-profit entity;
- Compliance with State Charity registration requirements or certification that the organization is exempt from the registration requirements;
- Active Federal Employer Identification Number (EIN) from the IRS
- Current IRS tax exempt status;
- Past evaluations of contract performance by funders; and
- Review of Use of Funds and Public Purpose

**SIBPO Response:** “SIBPO respectfully disagrees with this finding and maintains that it properly vets grantees. . . .

The Comptroller's Office attributes to SIBPO statements allegedly made at the exit conference by SIBPO officials that ‘SIBPO vets organizations on a case-by-case basis.’ The Comptroller's Office paraphrases further, ‘In determining which organizations it will vet, SIBPO officials stated that the SIBPO considers (1) the SIBPO's knowledge of and past working relationships with the organization; (2) the size of the organization; and (3) whether other governmental entities, such as the New York City Council, awarded funds to the organization. Further, SIBPO officials stated that it vets organizations only when they first apply for discretionary grant funds.’

We respectfully submit that this is a misunderstanding, and therefore a mischaracterization, of the statements SIBPO made at the exit conference. While we do not ascribe any malicious intent on the part of the Comptroller's Office in such mischaracterization, we are obliged to correct the record. SIBPO vets all grantees without exception. . . .

The Comptroller's Office finds that SIBPO did not properly vet 3 grantees' not-for-profit status prior to issuing discretionary grants. . . .

The Comptroller's Office vetted 25 sampled grantees and found that two organizations that received grants totaling \$30,000, were not current on their IRS Form 990 and CHAR500 filings—both at the time they received the SIBPO discretionary grants and at the time of their review.

One of those organizations provided SIBPO with a hard copy of their current (for fiscal year 2018) CHAR500, with IRS Form 990 attached, stamped by the New York State Attorney General's office. . . . The other organization in question has, and had at the time of the Comptroller's Office's vetting, a digital version of its current (for fiscal year 2018) CHAR500 on the NYS Attorney General's website. . . .

The decision to award a grant to an organization before it filed an updated CHAR500 was made in the instance that the Comptroller's Office flagged for a grant totaling \$25,000. To make that decision, SIBPO engaged in extensive discussions with the organization in question—both before and after the award of the grant with regard to issues related to its filings. Those issues were of a technical/regulatory nature due to the organization's transition to operating under the aegis of a major not-for-profit health and hospital system.

...

We understand that the Comptroller's Office cannot verify our vetting process just by taking our word for it. Even though documenting the vetting of grantees is not required by Directive 23, it is clearly necessary for the SIBPO to prove that it properly vets grantees. Therefore, we will incorporate the documentation of vetting into formal internal policies for discretionary grant funding.”

**Auditor Comment:** During the course of the audit and at a preliminary discussion of findings meeting, the SIBPO informed us that it vets all grant applicants. Subsequently, at the formal exit conference, the SIBPO informed us that it vets grant applicants on a case-by-case basis, and only when an organization first applies for discretionary grant funds. However, in its formal written response, the SIBPO now disavows this statement and instead states that it vets all organizations without exception, and that the level of scrutiny which it applies varies based upon the above-mentioned three factors. We are pleased that the SIBPO has stated clearly in its audit response that it is committed to vetting all grant applicants and to documenting its vetting process.

With regard to the first grantee organization cited in the SIBPO's response, the SIBPO provided us with a hard copy CHAR500 and IRS Form 990 for the organization and time frame in question. However, the forms we were provided were *not* stamped as received by the New York State Attorney General's Office. We note that to date, those forms still do not appear on the New York State Attorney General's Office website.

With regard to the second organization cited in the SIBPO's response, the SIBPO stated that this organization “has, and had at the time of the Comptroller's Office's vetting, a digital version of its current (*for fiscal year 2018*) CHAR500 on the NYS Attorney General's website.” [Emphasis added.] However, to date, the organization's CHAR500 and IRS Form 990 *for Fiscal Year 2016*—which should have been on file at the time the SIBPO issued the grant—still do not appear on the New York State Attorney General's Office website.<sup>5</sup>

With regard to the last organization cited in the SIBPO's response, the SIBPO was not aware that this organization had not filed its CHAR500 when we first disclosed our findings to the SIBPO. Further, the SIBPO did not inform us or provide us with any documentation to support that it extensively discussed and considered awarding a discretionary grant to an organization that failed to file a CHAR500 at any point during our audit.

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<sup>5</sup> On July 5, 2018, the date the SIBPO authorized payment to the grantee, the most recent CHAR500 and IRS Form 990 that should have been on file with the New York State Attorney General's Office were for Fiscal Year 2016—which should have been filed by no later than November 15, 2017.

## The SIBPO Did Not Obtain Required Information That Would Enable It to Be Alert to Potential Conflicts of Interest

Comptroller's Directive #23 states that

Borough Presidents must be alert to situations where use of discretionary funds could result in possible conflict of interest situations. For example, it may not be appropriate for Borough President employees to take part in business dealings between their office and organizations with which they are affiliated. The City's Board of Ethics provides guidelines in this area and should be consulted when questions arise.<sup>6</sup>

To that end, Comptroller's Directive #23 states that

Before authorization of payments to any organization or group, a written statement approved by the Borough President or designee which describes the purpose of the proposed grant must be prepared and kept on file. The name and address of the organization or group and a complete listing of its directors, executives and principals at the time of the grant must be on file.

For Fiscal Year 2018, we sampled 25 discretionary grants totaling \$452,826. Based on our review, the SIBPO did not obtain lists of the directors, executives, and principals for any of the 25 sampled grants. Consequently, the SIBPO may not have been alert to situations where use of discretionary funds could result in possible conflicts of interest.

For 22 of the 25 sampled grantees, we independently obtained and reviewed publicly available information about grantees' directors, executives, and principals.<sup>7</sup> Our review found that the SIBPO Director of Health and Wellness represents Borough Hall's interest on a sampled grantee's membership council and that the SIBPO did not consult with COIB as recommended by Comptroller's Directive #23 before awarding a grant to that grantee.

A prior Comptroller's audit issued in 2003 found that the SIBPO did not obtain lists of the directors, executives, and principals for 3 of 18 sampled grants and, therefore, was not alert to possible conflicts of interest.<sup>8</sup> The prior audit identified four instances in which the SIBPO awarded grants to organizations with which SIBPO senior executives were affiliated and did not disclose those affiliations to the COIB. The prior audit recommended that the SIBPO should: (1) ensure that SIBPO employees formally disclose in writing to the COIB their positions with not-for-profits and consult with the COIB where appropriate; and (2) remind its employees, especially senior executives, to comply with Comptroller's Directive #23 requirements regarding their service (even when it is uncompensated) with not-for-profit organizations doing business with the Borough President's Office. However, as evidenced by our current audit findings, the SIBPO did not follow that recommendation during the current audit scope period, and the condition and risk that the office will not be alert to potential conflicts of interest therefore persist.

After we presented our findings to the SIBPO, SIBPO officials stated that they were aware that the SIBPO Director of Health and Wellness served on the grantee's membership council. SIBPO

<sup>6</sup> The City's Board of Ethics, renamed the Conflicts of Interest Board (COIB), is an independent City agency responsible for enforcing the City's Conflicts of Interest Law. The COIB also provides training and advice on ethics questions that arise in City government.

<sup>7</sup> We did not review the directors, executives, and principals for three religious organizations because they were exempt from filing the CHAR500 and IRS Form 990.

<sup>8</sup> On June 4, 2003, the New York City Comptroller issued the *Audit Report on the Financial and Operating Practices of the Staten Island Borough President's Office* (Audit # FP02-171A).

officials also stated that the SIBPO Director of Health and Wellness is a part-time SIBPO employee who also works as a medical doctor and who is not involved in the grant process, does not pay membership fees, and does not have voting rights at the grantee organization. Therefore, the SIBPO Counsel stated that he determined that the SIBPO Director of Health and Wellness serving on the grantee's membership council did not constitute a conflict of interest and that accordingly he, as Counsel, did not consult with or see a need to consult with COIB. However, the SIBPO Counsel did not memorialize his consideration of the above-mentioned facts or the basis for his conclusion that the Director of Health and Wellness simultaneously holding a position in the grantor organization while serving on the grantee's membership council presented no conflict of interest. At the same time, the SIBPO Chief of Staff stated that the SIBPO *did* obtain an opinion from COIB regarding the Director of Health and Wellness' secondary employment. However, the SIBPO has not provided a copy or other documentation of the reported COIB opinion.

During the course of the audit and after our exit conference—on February 6, 2019, February 14, 2019, May 2, 2019, and May 3, 2019—we requested that the SIBPO provide us with a description of the SIBPO Director of Health and Wellness' roles and responsibilities. In addition, on May 29, 2019, we requested that the SIBPO provide us with any and all internal or external disclosures and opinions on secondary employment or other outside affiliations or activities for the SIBPO Director of Health and Wellness. On June 3, 2019, the SIBPO provided us with a description of the Director of Health and Wellness' roles and responsibilities. The key responsibilities of the position included building “substantive partnerships with Community Based Organizations (CBOs) with the aim of advancing the Borough President's public health priorities e.g. substance use disorder, mental health, cardiovascular disease, cancer, obesity, and other health challenges impacting Staten Island residents.”

Based on our research, in addition to the Director of Health and Wellness serving on a grantee membership council, she also partners with 3 CBOs that were included in our sample of 25 discretionary grants. As previously stated, Comptroller's Directive #23 states that “it may not be appropriate for Borough President employees to take part in business dealings between their office and organizations with which they are affiliated. The City's Board of Ethics provides guidelines in this area and should be consulted when questions arise.”

As of the date of this report, the SIBPO has not provided us with any and all internal or external disclosures and opinions on secondary employment or other outside affiliations or activities for the SIBPO Director of Health and Wellness. In the absence of this documentation, we cannot be assured that the SIBPO Director of Health and Wellness serving on a grantee's membership council, partnering with CBOs, or other outside activities do not constitute a possible conflict of interest.

**SIBPO Response:** “SIBPO respectfully disagrees with the Comptroller's Office's interpretation of Directive 23 and its application to SIBPO's Director of H+W. Our interpretation of Section 2.2 is that SIBPO should consult COIB when it has questions about situations where SIBPO employees take part in business dealings between their office and organizations with which they are affiliated. . . .

In the absence of personal or private interests, there is no risk of a conflict between those interests and that of SIBPO. Therefore, there was no question that rose to the level of consulting with the COIB. . . .

Despite our contention with the Comptroller's Office's finding that SIBPO did not properly consider a conflict of interest risk, we do understand that they based their findings in the

evidence that was provided. It is in the SIBPO's interest, even if not required by Directive 23, to memorialize and document conflicts of interest considerations, opinions, and consultations going forward. SIBPO takes these matters very seriously. Just last year, we proactively organized a conflicts of interest training for SIBPO employees which was conducted by the COIB.”

## **The SIBPO Does Not Have Written Policies and Procedures for Discretionary Grants**

Comptroller’s Directive #1, *Principles of Internal Control* Section 4.3 states that

Internal control activities help ensure that management's directives are carried out. They are, basically, the policies, procedures, techniques, and mechanisms used to enforce management's direction. They must be an integral part of an agency's planning, implementing, review and accountability for stewardship of its resources and are vital to its achieving the desired results.

Further, Comptroller’s Directive #1, Section 5.11 states that “[i]nternal controls should be documented in management administrative policies or operating manuals.”

However, the SIBPO did not establish written policies and procedures for administering discretionary grants but relied instead on the Director’s individual knowledge and experience. In the absence of formal written operating procedures, staff may not be aware of their responsibilities and may either fail to perform them or perform them inconsistently or incorrectly, conditions that may have contributed to the deficiencies cited in this report.

After we presented our findings to the SIBPO, SIBPO officials stated that they were drafting revised policies and procedures. On May 1, 2019, we requested that the SIBPO provide us with the most recent version of its internal policies and procedures relating to procurement and discretionary grants. As of the date of this report, the SIBPO has not provided us with its revised policies and procedures.

**SIBPO Response:** “SIBPO does not dispute, as a factual matter, the Comptroller’s Office’s finding that it does not have formal written policies and procedures for discretionary grants. . . . SIBPO, however, respectfully disagrees with the Comptroller’s audit finding that, since SIBPO did not have written policies, it ‘... relied instead on the Director’s individual knowledge and experience’ when processing discretionary grants. We contend that SIBPO’s ACCO and Procurement staff relied primarily on the Comptroller’s Directives. . . .

Given SIBPO’s unique organizational structure, we have developed our own tailored, comprehensive, and appropriate internal controls that we determined were best suited to meet the special needs of the agency.

SIBPO will document those internal controls in a finalized written policy on discretionary grant funding, distribute that policy to employees, and provide updated training to the procurement staff.”



## Recommendations

The SIBPO should implement the following measures to strengthen its administration of discretionary grants:

1. Obtain and review grant documentation including but not limited to invoices and receipts, event flyers or advertisements, and canceled checks, prior to authorizing payment.

**SIBPO Response:** “SIBPO will request and review grant documentation before and after authorizing grant payments—consistent with the discretion Borough Presidents are granted in Comptroller’s Directive 23. We will take steps, to be reflected in a finalized written policy, to collect all required supporting documentation before authorizing payments. SIBPO will reserve the right, in line with Directive 23, to make exceptions to this recommendation under certain circumstances which it will work to identify and expressly enumerate.”

**Auditor Comment:** As previously stated, Comptroller’s Directive #23 states that “[t]he purpose of this Directive is to ensure that the Offices of the Borough Presidents have adequate controls over discretionary fund expenditures. . . . Borough Presidents should be able to fully document use of these funds and show how these expenditures relate to official City business.” For all expenditures that have been previously incurred and paid, the SIBPO should obtain and review discretionary grant documentation prior to authorizing payment.

2. Consider recouping grant funds totaling \$5,000 that may not have been used for their intended purpose.

**SIBPO Response:** “SIBPO will continue investigating this matter and will consider recouping grant funds.”

3. Conduct timely field visits to ensure that discretionary grant funds are used for their intended purposes.

**SIBPO Response:** “SIBPO will work to conduct field visits within a shorter timeframe to the fullest extent of its capacity. We will also consider the feasibility of implementing policy changes, such as the imposition of a grant application deadline, toward this recommendation.”

4. Complete Field Observation Staff Reports to document field visit results.

**SIBPO Response:** “SIBPO will ensure that Field Observation Staff Reports are completed.”

5. Properly conduct and document the grant vetting process and ensure that the results are reported to the appropriate personnel before decisions on grant-awards are made.

**SIBPO Response:** “SIBPO will ensure that its comprehensive vetting process is documented so that it could demonstrate that it conducts vetting properly and reports the results of that vetting to appropriate personnel before grant funding is awarded.”

6. Obtain complete lists of organizations’ directors, executives, and principals at the time of the grant and use those lists to identify potential conflicts of interest.

**SIBPO Response:** “SIBPO will obtain and retain up-to-date lists of grantees’ directors, executives, and principals—and use those lists to identify potential conflicts of interest.”

7. Consult with the COIB on potential conflicts of interest, including but not limited to, the SIBPO granting discretionary funds to organizations which the SIBPO or its employees are affiliated.

**SIBPO Response:** “As questions about potential conflicts of interest arise, as per Comptroller’s Directive 23, SIBPO will consult with the COIB. In any case, including when SIBPO employees are affiliated with a prospective grantee, we will document conflicts of interest considerations, opinions, and instances of consultation.”

8. Implement internal controls, including but not limited to management review and tracking over the discretionary grant process, to ensure that key tasks such as vetting grantees, collecting and reviewing required documentation, and conducting field visits, are performed timely and properly.

**SIBPO Response:** “SIBPO will strengthen its internal controls as per this recommendation.”

9. Establish written policies and procedures, communicate them to staff, and train staff on their responsibilities for discretionary grants.

**SIBPO Response:** “SIBPO will finalize written policies and procedures, communicate them to staff, and train staff on their responsibilities for discretionary grants.”

## Operating Expenditures

### Certain SIBPO Operating Expenditures Were Not Properly Approved, Adequately Supported, or Appropriate

Comptroller’s Directive #24, *Agency Purchasing Procedures and Controls* Section 8.1, states that agencies must

retain all documentation received from vendors, and other relevant information that is not processed through FMS. Depending on the purchase, the relevant information may include bids, proposals, executed contracts, invoices, inventory records, and any vendor-signed or vendor-generated documentation. Agencies should also retain documentation that is used for purchasing decision-making, such as material from vendor presentations, agency discussions and memoranda, and any other paper and/or electronic records supporting the purchase decision.

Further, the SIBPO Manual states that “[t]he placing of an order for goods and or services is permissible ONLY with a written and signed Requisition (Blue Slip), signed by the SIBP Chief of Staff and the Agency ACCO or other designee of the Staten Island Borough President”, and “all purchases made using City funds MUST first be approved via a WRITTEN REQUISITION prior to placing the order.” As previously stated, the Blue Slip notifies the Procurement Department of the user’s intent to purchase goods or services for SIBPO operations and includes information such as the vendor name, and purchase description, justification, and anticipated cost. In addition, the SIBPO Manual states, “[b]efore payment is made to a vendor, all invoices and

receipts must be verified that goods and services have been received and must be stamped with the goods and service VERIFICATION stamp.” [Capitalization in original.]

However, based on our review of 37 sampled operating expenditures, totaling \$69,916, the SIBPO did not ensure that the above-detailed controls were in use and working. Consequently, the SIBPO made 17 expenditures, totaling \$43,342 (62 percent of the total dollar amount sampled), that were not properly approved, not adequately supported, not appropriate, or were affected by a combination of those issues, as detailed below and in Table II.<sup>9</sup>

- Twelve expenditures, totaling \$30,563, were not properly approved in that they either did not have a Blue Slip that was approved in advance (four expenditures totaling \$26,802), or were not approved at all (eight expenditures totaling \$3,761).<sup>10</sup>

After we presented our findings to the SIBPO, SIBPO officials stated that in regard to the four expenditures that were not approved in advance, one expenditure, totaling \$10,700, was for application software renewal and one expenditure, totaling \$125, was for an emergency. Therefore, SIBPO officials stated that they could not complete a Blue Slip in advance for those two expenditures. However, we note that the SIBPO could have completed a Blue Slip in advance for the application software, *because* it was renewing existing services and knew the anticipated cost, description, and justification for the expenditure.

The SIBPO also provided us with documentation to show that one expenditure, totaling \$15,727, for new application software was approved in advance. The SIBPO provided us with documentation of the vendor solicitation, selection, and award process, and a signed contract and invoice. However, this documentation is not a substitute for the Blue Slip. As previously stated, the SIBPO Manual states that “All REQUESTS for purchases of goods or services must be first made to the agency Chief of Staff. The placing of an order for goods and or services is permissible ONLY with a written and signed Requisition (Blue Slip).” [Emphasis in original.] The SIBPO received a final price proposal on May 3, 2018, and should have completed a Blue Slip before it placed the order for services and signed a contract on May 17, 2018. However, the SIBPO did not complete a Blue Slip for this expenditure until June 5, 2018.

- Twelve expenditures, totaling \$15,950, were not adequately supported in that they lacked: receipts or invoices, or receipts or invoices that contained item quantities or descriptions (three expenditures totaling \$12,652); Blue Slips (seven expenditures totaling \$3,171); or documentation to show that meal and travel expenses were related to City business (two expenditures totaling \$127).

After we presented our findings to the SIBPO, SIBPO officials stated that the seven expenditures that did not contain Blue Slips were properly approved and adequately supported by a blanket purchase order memorandum. The SIBPO provided a memorandum listing the Fiscal Year 2018 FMS blanket purchase orders and email correspondence to show that the memorandum was discussed with the Chief of Staff. However, this memorandum does not document a description of the goods or services,

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<sup>9</sup> Of the 17 expenditures that were not properly approved, adequately supported, or appropriate, 8 expenditures had a combination of those issues (25 total issues). If the expenditure was affected by a combination of issues, the amount was included only once in the finding total.

<sup>10</sup> Of the eight expenditures, totaling \$3,761, that were not approved at all, seven expenditures, totaling \$3,171, did not have a Blue Slip, and one expenditure, totaling \$590, had a Blue Slip but did not have the required approvals.

how they relate to SIBPO operations, or the appropriate SIBPO supervisory personnel review and approval.

With regard to one expenditure, totaling \$105, for meals, the SIBPO provided us with documentation to show that the expenditure was related to City business. However, this documentation was not maintained with the expense file.

- The SIBPO made one expenditure, totaling \$7,500, that was not appropriate because it did not relate to City business. The expenditure in question was for the recording and production of 200 CDs for the South Shore Band, Inc., and was not supported by an invoice. Further, the vendor's quote was addressed to the former SIBPO Director of Contracts & Procurement, who is and was then a member of the band.

After we presented our findings to the SIBPO, the SIBPO provided us with additional documentation for the expenditure that included a vendor invoice dated June 21, 2018, and a letter from the band dated April 5, 2018, stating that the band was asking "for consideration of a very special one-time request for funding. . . . for a 65<sup>th</sup> Anniversary [of the South Shore Band] Commemorative CD. . . . A free weekend concert at an indoor venue of the Borough President's choice would be held after production of the Commemorative CD and before June 30. Free CD's would be distributed to the first 100 families attending the concert, which would be announced by your office." On February 6, 2019 and February 14, 2019, we requested documentation to show that a free weekend concert was held and was open to the public. On May 1, 2019, the SIBPO provided us with the South Shore Band schedule of events, which indicated a concert was held on June 24, 2018 in connection with this expenditure. However, according to the schedule of events, this concert was sponsored by another organization. There was no indication in the documentation provided to us that this event was announced by the SIBPO and nothing in the documentation established that free CD's were distributed. On May 2, 2019, we requested that the SIBPO provide us with documentation to show that a free concert was held at a venue of the Borough President's choice and announced by the SIBPO. As of the date of this report, the SIBPO has not provided us with such documentation.

Table II below summarizes the SIBPO operating expenditures that were not properly approved, adequately supported, or appropriate, or were affected by a combination of those issues.

**Table II**

SIBPO Operating Expenditures That  
Were Not Properly Approved,  
Adequately Supported, or  
Appropriate

Source	Total Expenditures Reviewed		Not Properly Approved			Not Adequately Supported			Not Appropriate		
	#	Amount	#	Amount	% of Total	#	Amount	% of Total	#	Amount	% of Total
FMS	25	\$68,549	10	\$30,188	44.0%	9	\$15,671	22.9%	1	\$ 7,500	10.9%
Imprest	12	\$1,367	2	\$375	27.4%	3	\$279	20.4%	-	\$ -	-
Total	37	\$69,916	12	\$30,563	43.7%	12	\$15,950	22.8%	1	\$ 7,500	10.7%

In addition, based on our review of 25 sampled operating expenditures that had Blue Slips, we found that the Blue Slips did not clearly describe the expenditure or why the user department needed the goods or services requested.<sup>11</sup> The Blue Slip includes fields for date, fiscal year, description, why needed, and anticipated cost. However, we observed that in all cases the description field listed the vendor name, and no further description of the purchase, and the “why needed” field listed only a brief description of what was being purchased and no explanation of why it was needed. This is critical information that should be documented before the SIBPO personnel responsible for approving expenditures do so and should be available for external reviewers seeking to determine whether the expenditure was related to and necessary for such operations. In the absence of this information, it is not clear how or whether the expenditures relate to SIBPO operations.

**SIBPO Response:** “The Comptroller's Office relies heavily on the SIBPO's draft policy (SIBPO Manual) as a basis for this finding. It is important to note that the SIBPO Manual is a working document and not yet finalized—specifically since it is based on a best practices template, SIBPO has not yet incorporated customized exceptions to its operating expenditure processes and procedures. . . .

SIBPO respectfully submits that it has provided sufficient evidence to the Comptroller's Office that 9 of the 17 identified expenditures were in fact properly approved, adequately supported and appropriate. These expenditures, as we communicated to the Comptroller's Office, were part of a blanket purchase order memorandum—and expenditures listed on blanket purchase memoranda are exempted from SIBPO's Blue Slip requirement. . . .

There are various well-established exceptions to SIBPO's procurement procedure, including the blanket purchase memorandum exception, that have not yet been enumerated in the working draft SIBPO Manual provided to the Comptroller's Office. SIBPO will ensure that all exceptions are expressly detailed in the final version of the Manual. In addition, SIBPO will ensure that all blanket purchase memoranda going forward sufficiently document ‘a description of the goods or services, how they relate to SIBPO operations, [and] the appropriate SIBPO supervisory personnel review and approval.’ . . .

SIBPO credits the Comptroller's Office for alerting SIBPO to issues related to an expenditure, totaling \$7,500, made to the South Shore Band. As the Comptroller's audit correctly cites, the expenditure was for a one-time request for the creation of a ‘Commemorative CD.’ SIBPO acknowledges that this expenditure should have been processed as a grant. Due to timing constraints however, an executive decision was made to permit a one-time-only exception and disburse the funds as an expenditure. . . .

The Comptroller's audit cites that SIBPO's former Director of Contracts and Procurement was, at the time of the expenditure, a member of the band. SIBPO clearly and unequivocally attests that the membership of a former Director did not in any way influence its decision to provide funding to this organization. . . .

It is important to note that the former Director's employment at SIBPO officially ended in March 2014—only 3 months into the current Borough President's administration. This fact is also important because it evidences compliance with City's Board of Ethics' one-year,

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<sup>11</sup> In total, we reviewed 37 operating expenditures. Of the 37 operating expenditures, 5 expenditures were for employee reimbursements, which are supported by Personal Expense forms and do not require a Blue Slip. The remaining 32 expenditures required a Blue Slip, but Blue Slips were missing for 7 of them. Therefore, we reviewed 25 Blue Slips.



post-employment ban. According to Charter §2604(d)(2), former public servants may not accept anything from anyone, including the City, for communicating with their former City agency. In this case, the former Director left SIBPO more than three years before the expenditure in question. . . .

There is no indication that the former Director or any individual member of the band personally benefited from SIBPO's expenditure. Nonetheless, in our efforts to resolve the issue with the South Shore Band, we believe the best course of action moving forward is to seek recoupment of the expenditure.”

**Auditor Comment:** In conducting our audit, we appropriately relied on the SIBPO Manual which states that “[t]he placing of an order for goods and or services is permissible ONLY with a written and signed Requisition (Blue Slip).” [Emphasis in original.]

At the start of the audit—on July 24, 2018—we requested that the SIBPO provide us with procurement policies, procedures, and guidelines. In response, the SIBPO provided the audit team with the SIBPO Manual and stated that it was a “living” document, subject to changes. During the course of our audit, the SIBPO did not notify us of policy changes or provide us with an updated or final version of the SIBPO Manual. At the exit conference—on May 1, 2019—we requested the SIBPO provide us with the most recent version of the SIBPO Manual. As of the date of this report, the SIBPO has not provided us with an updated or final version of the SIBPO Manual.

## The SIBPO Charged Expenditures to Incorrect Object Codes

Comptroller’s Directive #24, Section 4.1 states, “Purchasing Documents serve two purposes: they represent an agreement with a vendor to purchase goods or services, and are used to record the accounting event associated with the purchase. Purchasing Documents consist of Requisitions, Purchase Documents, FMS Contract Documents, and Payment Vouchers.” Further, Section 6.0 also states, “Payment Voucher approvers must ensure that . . . [t]he appropriate accounting and budget codes are being charged. This includes charging the correct unit of appropriation and correct object code within that unit of appropriation.” Finally, Directive #24, Section 6.0, states that “Payment Vouchers require two approvals by FMS users . . . . Each approver acts as a check on the other’s decisions . . . . [A]pprovers verify . . . that the payment request and its supporting documentation are accurate.”

However, based on our review of 37 sampled operating expenditures, totaling \$69,916, we found that the SIBPO charged 10 expenditures, totaling \$3,490 (5 percent of the total dollar amount sampled) to the incorrect object code as detailed in Table III below.

**Table III**

SIBPO Operating Expenditures That  
Were Charged to Incorrect Object  
Codes

Source	Total Expenditures Reviewed		Total Expenditures Charged to Incorrect Object Codes		
	#	Amount	#	Amount	% of Total
FMS	25	\$ 68,549	4	\$ 2,777	4.1%
Imprest	12	\$ 1,367	6	\$ 713	52.1%
Total	37	\$ 69,916	10	\$ 3,490	5.0%

The SIBPO staff who are designated as the SIBPO's two FMS Payment Voucher Approvers, did not ensure that the SIBPO charged expenditures to the correct object codes. For example, 6 of the 10 improperly coded operating expenditures cited above were charged to "Special Expenditures" (object code 460). The New York City Chart of Accounts, which provides object code numbers and descriptions for OTPS expenditures, defines object code 460 as "special expenditures relative to elected officials and other criminal justice activities." However, our review found that the six expenditures improperly charged to object code 460 were for "Supplies and Materials – General" (object code 100) or "Food and Forage Supplies" (object code 110).

Charging expenditures to incorrect object codes may hinder management's ability to plan for future spending and diminishes the ability of City agencies, oversight authorities, and the public to see how City agencies spend their money.

### **The SIBPO Did Not Mark Documentation as Paid or Vouchered**

Comptroller's Directive #3, *Administration Of Imprest Funds* Section 4.5, and the SIBPO Manual state that "[f]or purposes of providing an audit trail and preventing duplicate payments, all invoices, receipts or supporting documentation must be hand stamped or annotated as follows: PAID, CHECK #, DATE," for Imprest Fund bank account expenditures. The SIBPO Manual also states that "[i]n addition, ALL payment documents MUST have a VOUCHERED stamp as immediately after a voucher is prepared," for FMS payments. [Emphasis in original.]

However, based on our review of 12 sampled checks issued through the Imprest Fund bank account, totaling \$1,367, we found that the SIBPO did not stamp or annotate any invoices, receipts or supporting documentation as "PAID, CHECK#, DATE." A prior Comptroller's audit cited this same issue.<sup>12</sup> The audit recommended that the SIBPO ensure that all Imprest Fund expenditures comply with the provisions of Directive #3 and the SIBPO responded that "[i]n the future all documentation for impress fund disbursements will be stamped 'PAID' and include the check number and date of payment so as to prevent possible duplicate payments and to provide an audit trail for payments." However, as noted in our current finding, the SIBPO has not corrected the issue.

<sup>12</sup> On January 13, 2011, the New York City Comptroller issued the *Audit Report on the Financial and Operating Practices of the Staten Island Borough President's Office* (Audit # FP10-107A).

Further, based on our review of 25 sampled expenditures processed through FMS totaling \$68,549, we found that 3 expenditures, totaling \$1,390 (2 percent of the total dollar amount sampled), did not have a vouchered stamp on all payment documents as required by the SIBPO Manual.

The SIBPO staff who are responsible for approving payment vouchers in FMS and endorsing Imprest Fund checks, did not enforce agency policies and procedures regarding stamping of supporting documentation for checks and payment documents. Not ensuring that staff stamp or annotate invoices, receipts, or other supporting documentation as paid or vouchered increases the risk of issuing duplicate payments and reduces the audit trail.

After we presented our findings to the SIBPO, SIBPO officials stated that one of the Procurement Associates who was responsible for stamping payment documents had numerous other responsibilities and did not stamp the documents because of an oversight and human error. However, the SIBPO staff member who is responsible for reviewing payment documents, should have ensured that all payment documents were stamped as required.

## Recommendations

The SIBPO should ensure that:

10. A Blue Slip is completed and approved for expenditures that require one prior to initiating a purchase;

**SIBPO Response:** "SIBPO accepts Comptroller's recommendation."

11. Receipts, invoices, and other documentation to show that expenditures were related to SIBPO operations are maintained on file at the SIBPO;

**SIBPO Response:** "SIBPO accepts Comptroller's recommendation."

12. Imprest Fund bank account checks are signed only after the signer receives the necessary supporting documentation for that expenditure;

**SIBPO Response:** "SIBPO accepts Comptroller's recommendation."

13. The user department requesting purchases adequately describes the goods or services being purchased and how the expenditure relates to SIBPO operations on the Blue Slip;

**SIBPO Response:** "SIBPO accepts Comptroller's recommendation."

14. Blue Slip approvers review the descriptions and justifications for expenditures to ensure that Blue Slips adequately describe how the expenditure relates to SIBPO operations;

**SIBPO Response:** "SIBPO accepts Comptroller's recommendation."

15. It charges expenditures to the correct object code in accordance with Comptroller's Directive #24;

**SIBPO Response:** "SIBPO accepts Comptroller's recommendation."

16. Invoices, receipts, or supporting documentation for Imprest Fund expenditures are stamped or annotated as follows: PAID, CHECK #, DATE; and

**SIBPO Response:** "SIBPO accepts Comptroller's recommendation."

17. FMS payment documents are stamped as vouchered immediately after a voucher is prepared.

**SIBPO Response:** "SIBPO accepts Comptroller's recommendation."

## DETAILED SCOPE AND METHODOLOGY

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

The scope of this audit covered the period of July 1, 2017 through June 30, 2018.

To obtain an understanding of the procurement and discretionary grant procedures with which the SIBPO must comply, we reviewed relevant provisions of Comptroller's Directives #1, #3, #6, #11, #23, and #24, as well as the New York City Procurement Policy Board's *Procurement Policy Board Rules*, the New York City Chart of Accounts, and the SIBPO's internal policies and procedures, all of which also formed our audit criteria. We also requested and reviewed prior audits, including prior Comptroller's Office Audit Reports, and noted findings and conditions in those audits that addressed matters relevant to this current audit.

To gain an understanding of the SIBPO internal controls over OTPS expenditures, we conducted interviews with relevant agency officials from the Procurement Department, as well as the Director of Constituent Services & Capital Budget, and the Chief of Staff. We also conducted an observation of the SIBPO's Microsoft Access "Invoice Tracker" database, used to maintain records for purchases processed through FMS, and the QuickBooks database, used for issuing Imprest Fund checks and performing bank reconciliations. To determine the reliability of the QuickBooks database, we requested and obtained Imprest Fund bank statements and copies of canceled checks for Fiscal Year 2018 and compared the check information to SIBPO's QuickBooks Imprest Fund bank account check register.

To determine the population of OTPS expenditures, we obtained a City of New York FMS report detailing the SIBPO's expenditures for Fiscal Year 2018. We also requested and obtained the SIBPO's internal Microsoft Access database for grants and operating expenditures, and the SIBPO's internal Microsoft Excel tracking spreadsheet for grants issued for the same period. We eliminated from our population any transactions in FMS that either had a zero dollar value or were negative amounts for check processing fees. In addition, we eliminated expenditures for reimbursements to the SIBPO's Imprest Fund bank account because we separately tested expenditures made from the SIBPO's Imprest Fund bank account.

To determine whether the SIBPO's discretionary grants processed through FMS complied with Comptroller's Directive #23, we selected a sample of 25 grants and obtained and reviewed supporting documentation for each expenditure. To select the 25 grants we judgmentally selected all 8 grants equal to or exceeding \$25,000 and randomly selected 17 grants less than \$25,000.

To determine whether the SIBPO's discretionary grants were adequately supported, we reviewed the supporting documentation for each grant and determined if the grant was supported by a written statement approved by the Borough President or designee prior to authorizing payment of the grant. We also determined if the grant payment was supported by invoices and receipts, event flyers or advertisements, and copies of canceled checks.



To determine whether the SIBPO adequately monitored grants, we reviewed supporting documentation to identify if SIBPO staff conducted field visits to grantee sites. To determine if grantees used grant funds for the intended purpose, we conducted independent field visits. Of the 25 sampled grants, we selected 7 grantees which used grant funds to pay for furniture and equipment (62 items, totaling \$55,366), or repairs or maintenance costs (10 services, totaling \$23,300). In addition, we selected 5 grantees for which we had concerns about grantee existence or operations (5 programs, totaling \$52,841). For furniture and equipment items we recorded the location, asset description, and serial number, if available, and determined if those items appeared at the respective grantee locations. We conducted physical inspections on January 14, 2019 and January 15, 2019.

To determine whether the SIBPO vetted organizations prior to awarding grants, we requested and obtained supporting documentation for each grant and determined if vetting documentation was on file. We independently vetted our sample of 25 grants and determined if each grantee was up to date on their 501(c)(3) tax-exempt status, IRS Form 990, and CHAR500 filings, and if any publicly available adverse information exists.

To determine whether the SIBPO was alert to potential conflicts of interest with grantees, we reviewed supporting documentation and determined if the SIBPO maintained lists of directors, executives, and principals for each grantee. To identify any potential conflicts of interest between the SIBPO and its grantees, we independently obtained and reviewed publicly available information about grantees' directors, executives, and principals and compared that information to a roster of SIBPO employees.

To determine whether the SIBPO's OTPS expenditures processed through FMS and the SIBPO Imprest Fund bank account were reasonable, appropriate, adequately supported, properly approved, accurately coded in FMS according to the nature of the purchase, and complied with City purchasing rules, we selected a sample of 25 operating expenditures processed through FMS and 12 checks issued through the Imprest Fund bank account and obtained and reviewed supporting documentation for each expenditure. To select the 25 operating expenditures processed through FMS we judgmentally selected all 6 expenditures equal to or exceeding \$5,000 and randomly selected 19 expenditures greater than \$100 and less than \$5,000. To select the 12 checks issued through the Imprest Fund bank account we judgmentally selected 2 checks payable to the individual responsible for issuing checks from the Imprest Fund bank account and randomly selected 10 other checks.

To determine whether the sample of expenditures from FMS and the SIBPO Imprest Fund bank account were reasonable we reviewed relevant information regarding the pricing of the underlying expenditure, which would include reviewing City requirements contracts, pricing quotes and extensions, invoice amounts, sales tax and late fees paid, and if bidding was performed when required.

To determine whether the sample of expenditures from FMS and the SIBPO Imprest Fund bank account were appropriate, adequately supported, and properly authorized, we reviewed invoices, receipts, and contract information, as well as internal SIBPO requisition forms. We determined if supporting documentation for expenditures was stamped as paid or vouchered.

To determine whether 14 inventory equipment items purchased by the SIBPO as part of our sample of operating expenditures were located on the SIBPO premises, and used for agency purposes, we conducted a physical inspection on December 20, 2018. We recorded the vendor name, asset description, and serial and model numbers, if available, and determined if those items appeared at the SIBPO.

To test whether the sample of expenditures were accurately coded in FMS we reviewed supporting documentation and determined the underlying nature of the expense. Then, we reviewed the object code used by the SIBPO in FMS and determined whether that code accurately depicted the expenditure.

To test whether the sample of expenditures processed through FMS were the correct voucher type, we reviewed supporting documentation and determined whether an invoice or contract was available for the expenditure. Then, we reviewed the voucher type used by the SIBPO for each expenditure and determined whether the correct voucher type was processed through FMS.

The results of the above tests, while not projectable to their respective populations whenever a sample was used, provided a reasonable basis for us to evaluate the SIBPO's controls over its OTPS expenditures.

June 24, 2019

**BY EMAIL & USPS**

Marjorie Landa  
Deputy Comptroller for Audit  
1 Centre Street, Room 1100  
New York, NY 10007-2341

**Re: Audit Report on the Procurement and Discretionary  
Grant Practices of the Staten Island Borough President's  
Office FK19-054A**

To Deputy Comptroller Landa:

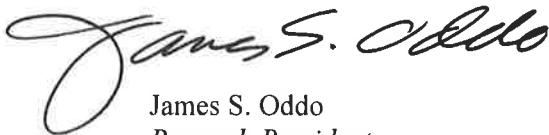
The Staten Island Borough President's Office (SIBPO) reviewed the draft audit report on its Procurement and Discretionary Grant Practices. The stated objective of the audit was "to determine whether SIBPO complied with applicable procurement and discretionary grant rules, regulations, and policies and procedures and whether its operating expenditures and discretionary grants were reasonable, appropriate, adequately supported and properly approved."

Attached is SIBPO's response to the findings and recommendations expressed in Comptroller's draft audit report.

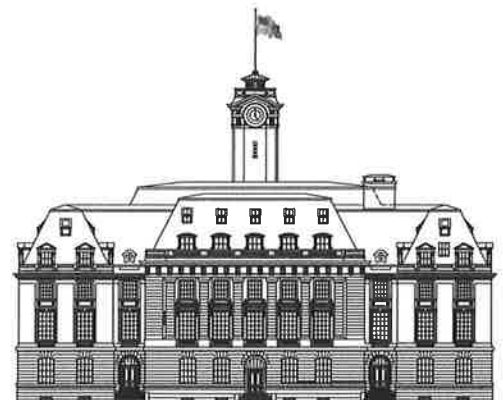
SIBPO thanks the Comptroller's Office for its professionalism, time and attention throughout the audit, and is grateful for the opportunity to respond to the draft audit report.

Please contact SIBPO if you have any questions.

Sincerely,



James S. Oddo  
Borough President





**Audit Report on the Procurement and  
Discretionary Grant Practices of the  
Staten Island Borough President's  
Office (FK19-054A) - Response**

**June 24, 2019**

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## Introduction

The Office of the Comptroller conducted an audit to “determine whether the Staten Island Borough President’s Office (SIBPO) complied with applicable procurement and discretionary grant rules, regulations, and policies and procedures and whether its operating expenditures and discretionary grants were reasonable, appropriate, adequately supported, and properly approved.” The audit covered the period of July 1, 2017 through June 30, 2018.

A preliminary draft of this report was sent to SIBPO and subsequently discussed at an exit conference on May 1, 2019. At that exit conference, SIBPO provided to the Comptroller’s Office records, information, and institutional context to inform the audit and address the preliminary findings. The SIBPO continued to provide documents to the Comptroller’s Office after that exit conference. On June 10, 2019, SIBPO received a draft report from the Comptroller’s Office and was granted ten business days to respond with comments to be included as part of the final report.

These are SIBPO’s official comments in response to the Office of the Comptroller’s findings in the draft audit report.

## Discretionary Grants

### *The SIBPO Did Not Obtain or Review Supporting Documentation before Authorizing Payments to Grantees*

SIBPO respectfully contends that the Comptroller’s Office has applied an overly stringent standard which is not supported by Comptroller’s Directive 23, SIBPO’s informal policies, or SIBPO’s executed grant agreements for fiscal year 2018. There is no express requirement that SIBPO obtain or review supporting documentation *before* authorizing payments to grantees.

As the Comptroller’s audit cites, Section 3.3 of Directive 23 states that:

Grantees should adequately account for awarded funds. Such accounting includes but is not necessarily limited to:

- The maintenance of adequate books and records to account for grant revenues and expenditures.
- Maintaining supporting documentation such as timesheets, invoices, receipts and other information. For example, if amounts were allocated for a street fair, copies of

advertisements, flyers and street permits should be on file at the Borough President's Office to show that the event took place.

There is no requirement in Section 3.3 that such accounting must be conducted or completed in advance, as a precondition, to awarding a grant. If the Comptroller's Office intended to create a precondition, they would have expressly done so as they did with other requirements in Directive 23. For example, for new and/or expanded contracts Directive 23 requires that "*prior to* awarding a grant to an organization for new, long-term programs, Borough Presidents must obtain a written commitment from the sponsoring agency for future program funding." And again in the general terms: "*Before* authorization of payments to any organization or group, a written statement approved by the Borough President or designee which describes the purpose of the proposed grant must be prepared and kept on file" (it should be noted that, for 25 sampled grants, the Comptroller's audit found SIBPO fully compliant with this requirement).

There is no such "prior to" or "before" language establishing a precondition in the "Accounting for Awarded Grants" section of Directive 23. The lack of such language is consistent with Directive 23's recognition that "Borough Presidents receive discretionary funds through the City's budgetary process and have *wide latitude* in how these funds are expended." In addition to Directive 23, the Comptroller's audit cites SIBPO's informal procedures that the Comptroller gleaned from interviews with SIBPO staff and SIBPO's executed grants agreements for fiscal year 2018.

The Comptroller's audit correctly cites that SIBPO's grant agreements state that, "payment is subject to submission by [grantee] to the Office of the Borough President of documentary evidence of the expenditure of the funds for the purposes allocated such as by copies of canceled checks, or 'paid marked invoices and/or receipts'." We respectfully dispute the Comptroller's Office's interpretation of this provision as a requirement that SIBPO obtain all supporting documentation before authorizing payment of the grant.

This longstanding provision is intended to clearly require, without specifying timing, that the grantee must provide requisite documentary evidence that grant funds were used for their intended purposes. It is *not* meant to require all supporting documents be submitted by the grantee as a precondition for authorizing payment, otherwise there would be no purpose in entering into the grant agreement before all such documents were provided.

The grant agreement is executed to memorialize an award of discretionary grant funding and empower SIBPO to enforce the terms tied to that award, rather than to create a tentative agreement which would only be effectuated upon the fulfillment of a precondition. And as a matter of informal procedure, while SIBPO seeks to collect supporting documentation even before a grant agreement is executed, it does not make collecting all supporting documents a

prerequisite for authorizing payment. To resolve the ambiguity of this provision, SIBPO will clarify the language in future grant agreements.

It is important to clarify a statement in the Comptroller's audit which is attributed to the SIBPO—that SIBPO stated “it does not issue checks to grantees until they submit required supporting documentation.” We respectfully dispute the accuracy of this statement attributed to the SIBPO and assert that it is both incorrectly paraphrased and taken out of context. This excerpt was part of a longer statement making the case that it is, in fact, the Comptroller's Office which cuts the check, and thereby, functionally authorizes the payment to grantees—not the SIBPO. We argued further, that in cutting the check, the Comptroller's Office never inquired about or ensured that the supporting documentation precondition which it imposed had been met.

Most interestingly, the incorrect paraphrasing and use of that statement in the Comptroller's audit directly contradicts another statement attributed to the SIBPO in the first sentence of the very same paragraph, “The SIBPO stated that it may authorize payments to grantees before obtaining required documentation in order to ensure that the grants are processed in FMS during the correct fiscal year.” This attribution however, unlike the former, is factually accurate.

Based on the Comptroller's Office's review of 25 sampled discretionary grants, totaling \$452,826, they found that SIBPO did not obtain adequate supporting documentation for payments in connection with 19 grants, totaling \$304,585. Specifically, they found that SIBPO did not obtain one or more of the following types of required documentation: invoices or receipts (5 grants), event flyers or advertisements (5 grants), or canceled checks (19 grants). As a consequence, the Comptroller's Office expressed that they could not be reasonably assured that grant funds were used for their intended purposes.

As of the writing of this response, SIBPO has provided all of the required documentation deemed missing for the identified grants in the sample: 19/19 canceled checks, 5/5 flyers/advertisements and 5/5 invoices and receipts.

The Comptroller's Office takes issue with SIBPO's inability to produce these documents until 8-21 months after corresponding expenditures were incurred and paid. They do not, however, cite to a rule or requirement in the Comptroller's Directives which specifies a timeframe or applies a standard for when these documents must be collected. Comptroller's Directive 23 does not limit the period of time Borough Presidents have to collect supporting documents and verify that grants funds have been expended as intended.

Directive 23 states that the guidelines enumerated “apply to grants provided to not-for-profit organizations, and to grants or awards to community groups, or for cultural events” and “apply to all grants and awards, however, they should be adapted, as appropriate, for each case.” The Comptroller's Office however, for some reason, does not recognize SIBPO's discretion as granted to it by the Comptroller's Directives.

According to the Comptroller's audit, the SIBPO issued 95 grants in the fiscal year 2018 audit period—with a staff of 4 who are also charged with other responsibilities. The procurement team of three, for example, is also tasked with processing the 247 operating expenditures which the Comptroller audited for the same fiscal year. Moreover, 76 of those grants (80% of total grants) were processed in June, within the last 30 days of the fiscal year.

SIBPO contends that the drafters of Directive 23 recognized that the Comptroller's Office was not best situated to prescribe time constraints on supporting documentation requirements because each Borough President's Office is structured and staffed differently, funded at different levels based on borough population, and deals with unique circumstances in awarding grants. The principal purpose of the supporting documentation requirement was to provide Borough Presidents with effective controls to ensure and prove that grant funds were used as intended.

We believe SIBPO's procedures and practices with regard to collecting supporting documentation, while certainly in need of fine tuning and improvement, were nonetheless consistent with Directive 23. SIBPO's stewardship of grant funds does not stop at the end of the fiscal year or at some artificially predetermined "fiscal close"—it continues until SIBPO is certain, and has the evidence to verify, that grantees used grant funds as intended.

We inform each grantee, and it is specified in each grant agreement, that SIBPO reserves the right to recoup funds from grantees if it determines that grant funds were not used for their intended purpose—or if grantee has failed to provide the requisite supporting documentation to prove grant funds were used as intended. There is no expiration date to the SIBPO's right to recoup grant funds—and the remedy extends beyond the term of funding. We maintain that this control to ensure the proper use of grant funds is consistent and compliant with Directive 23 specifically and Comptroller's Directives generally.

Lastly, within this section of the audit, the Comptroller's Office finds the appearance that "one grantee may not have used grant funds for their intended purposes." Specifically, they cite a grant to a community group that provides ESL services to fund "advertising, lesson planning, test review and grading, supplies and textbooks, and data collection" in connection with those services.

As soon as the Comptroller's Office alerted us to this issue, SIBPO met in-person with the director of the community group and questioned him about the Comptroller's Office's findings. The director maintained that the grant funds—while expended to the three identified owners of the building in which the ESL program took place—were nevertheless used to compensate those three individuals for the services they provided as intended by the grant. He vehemently denied that grant funds were used to pay the organization's rent.

The Comptroller's Office recommends that SIBPO consider recouping the funds from the grantee. SIBPO shares the Comptroller's Office's concerns about whether grant funds were used

appropriately, and therefore, accepts the Comptroller's recommendation to consider recoupment of the grant funds. We have requested additional documentation from the director of the community organization and are investigating the matter. To add, we have informed the director that SIBPO will recoup the grant funds if evidence documenting how those funds were used is not provided.

SIBPO is confident that our own monitoring of the grant would have alerted us to this issue. We are however grateful to the Comptroller's Office for sounding the alarm so that we could get to work sooner to resolve the matter.

### ***The SIBPO Did Not Conduct Field Visits to Monitor the Use of Discretionary Fund Grants***

SIBPO does not dispute this finding as a matter of fact—as of the audit. We respectfully contend that the Comptroller's Office again applies a standard that is not supported by Comptroller's Directive 23, SIBPO's informal policies, or any language in SIBPO's executed grant agreements for fiscal year 2018. There isn't a specified timeframe within which Borough Presidents must conduct field visits after a grant has been awarded—nor is there any mention of a “timely” standard for conducting field visits.

As the Comptroller's audit cites, Section 3.2 of Directive 23 states that:

The Borough President must monitor grantee activities to insure that funds are properly expended for the intended purpose by:

- Conducting field visits to grantee sites to insure that services are being delivered as specified in the grant.

(among five additional monitoring requirements)

Also cited is the following language found in SIBPO's grant agreements relating to the grantees' responsibilities under the terms of the grant:

[Grantee] agrees to permit any and all field visits and inspections by employees of the Office of the Borough President to program sites to insure that the services are being delivered as specified in this contract

The audit cites this language to frame the Comptroller's Office's finding that, based on the review of 25 sampled discretionary grants, there was no evidence that SIBPO conducted any field visits or completed any Field Observation Staff Reports. As a result, the Comptroller's



Office concludes that it cannot be assured that organizations used discretionary funds for the intended purpose and provided services to intended recipients.

It is important to note that the Comptroller's Office did not present any evidence that discretionary funds were improperly used. In fact, they conducted 12 unannounced field visits approximately 6 months after the end of the fiscal year, and as stated in the audit, were "reasonably assured that the grantees used the funds for their intended purposes." This is a key finding which affirms the integrity, at least in part, of SIBPO's discretionary grant making for fiscal year 2018.

The Comptroller's Office's finding again raises the issue of timing. They assert in the audit that SIBPO "*should conduct timely field visits.*" Comptroller's Directive 23, however, as even the Comptroller's Office acknowledges in the penultimate paragraph of this section of its audit, does not prescribe a specified timeframe within which to conduct field visits after a grant payment has been authorized. Directive 23 also does not prescribe a "timely" standard for conducting such visits. This is consistent with the Directive's express intent to respect the "wide latitude" Borough Presidents have in expending discretionary grant funds.

The closest Directive 23 gets to identifying a standard is in Section 3.1, outlining general terms:

The following guidelines apply to grants provided to not-for-profit organizations, and to grants or awards to community groups, or for cultural events. These guidelines apply to all grants and awards, however, they should be adapted, as *appropriate*, for each case. For example, a minor award to a community group for a single event requires an accounting, but may not need as rigorous a degree of monitoring and accountability as a substantial grant to a not-for-profit organization which will provide services over a period of time

SIBPO believes that its field visit practices met the "appropriate" standard set forth in Directive 23. The four SIBPO employees processed, managed, and were responsible for monitoring 95 grants for the fiscal year 2018 audit period. It is important to note that 80% or 76/95 grants were awarded in June—within the last 30 days of the fiscal year.

That means that SIBPO could potentially be responsible for conducting up to 95 field visits, with 76 of those field visits only possible after the end of the fiscal year. To put that in perspective, in order to complete just those 76 field visits by the end of the next fiscal year, twelve months later, SIBPO would have to conduct up to approximately *one field visit every three business days*.

The Comptroller's Office's "timely" standard requires an even shorter timeline for such field visits. While we share their opinion that field visits are more effective the sooner they are conducted and agree with their "timely" standard in principal, it is not appropriate given SIBPO's capacity, resources, and mission with regard to the award of discretionary grant funding. To meet the Comptroller's Office's stated requirement, SIBPO would have to hire a

full-time employee responsible solely for field visits—or it would have to significantly cut the volume of grants it awards to community organizations.

SIBPO respectfully contends that it should not be found out of compliance with a “timely” standard which is not mentioned or defined in Comptroller’s Directive 23. That signifies that SIBPO did not have proper notice of a time limit for conducting field visits. Moreover, there is no clear timetable for when such visits are in compliance with the Comptroller’s Office’s expectations. Would proper compliance be 3 months after the grant is awarded or 6 months? Is that standard the same for large and small grants? All of these issues make it difficult to comply with the Comptroller’s Office’s vague “timely” standard.

The SIBPO will continue to diligently and methodically conduct field visits to monitor fiscal year 2018 grants. If those field visits reveal that grant funds were not used as intended, we will exercise our right to recoup funds.

Given SIBPO’s agreement with the Comptroller’s Office that field visits are more effective the sooner they are conducted, we will also consider reforming our discretionary grant procedures. The most effective of any conceived reforms would be to institute a deadline for grant applications. An application deadline however, will have significant implications which will have to be carefully weighed before a final decision is made. Most importantly, we want to ensure that our efforts to be more efficient do not negatively impact Staten Island residents who rely on critical services provided by grantees.

### ***The SIBPO Did Not Properly Vet Grantees***

SIBPO respectfully disagrees with this finding and maintains that it properly vets grantees. The Comptroller’s Office is limited in its ability to audit the vetting process of any Borough President’s Office unless that vetting process is comprehensively documented: that includes internet searches, phone calls, document searches, etc. There is no requirement in Comptroller’s Directive 23 however, that the vetting of prospective grantees be documented. In fact, there are no clearly outlined vetting guidelines or requirements in the Directive at all.

The provision that the Comptroller’s audit cites is instructive, but cannot be read as a vetting requirement: “Discretionary funds have been used primarily for grants to not-for-profit organizations, cultural events, community needs and consultant services. At times they are also used for routine operating purposes.”

It is, however, in the interest of SIBPO to ensure that discretionary funds are awarded only to qualified, responsible organizations that serve Staten Island residents. To do so, SIBPO vets all applicants for discretionary grant funding.

The Comptroller's Office attributes to SIBPO statements allegedly made at the exit conference by SIBPO officials that "SIBPO vets organizations on a case-by-case basis." The Comptroller's Office paraphrases further, "In determining which organizations it will vet, SIBPO officials stated that the SIBPO considers (1) the SIBPO's knowledge of and past working relationships with the organization; (2) the size of the organization; and (3) whether other governmental entities, such as the New York City Council, awarded funds to the organization. Further, SIBPO officials stated that it vets organizations only when they first apply for discretionary grant funds."

We respectfully submit that this is a misunderstanding, and therefore a mischaracterization, of the statements SIBPO made at the exit conference. While we do not ascribe any malicious intent on the part of the Comptroller's Office in such mischaracterization, we are obliged to correct the record. SIBPO vets all grantees without exception.

In determining the *level of scrutiny* to apply in vetting organizations, SIBPO considers the aforementioned three-part criteria as enumerated in the audit. It follows then that SIBPO vets organizations that first apply for discretionary grant funds with greater scrutiny than those organizations that SIBPO is familiar with as a result of past vetting, institutional knowledge of that organization, and a working relationship with that organization.

The level of scrutiny SIBPO employs in the vetting process is calibrated on a case-by-case basis. This is entirely consistent with Directive 23: "The following guidelines apply to grants provided to not-for-profit organizations, and to grants or awards to community groups, or for cultural events. These guidelines apply to all grants and awards, however, *they should be adapted, as appropriate, for each case.*"

The Comptroller's Office finds that SIBPO did not properly vet 3 grantees' not-for-profit status prior to issuing discretionary grants. The Comptroller's Office determined that this finding indicates that SIBPO is out of compliance with its own internal vetting procedure—specifically its policy to ensure that all grantees are up-to-date with their 501(c)(3) tax-exempt-status and filed their IRS Form 990 and CHAR500. [Note: Comptroller's Directive 23 does not require that Borough Presidents check that grantees are up-to-date in their filings of IRS Form 990 and CHAR500.]

The Comptroller's Office vetted 25 sampled grantees and found that two organizations that received grants, totaling \$30,000, were not current on their IRS Form 990 and CHAR500 filings—both at the time they received the SIBPO discretionary grants and at the time of their review.

One of those organizations provided SIBPO with a hard copy of their current (for fiscal year 2018) CHAR500, with IRS Form 990 attached, stamped by the New York State Attorney General's office. We provided a copy of this document to the Comptroller's Office. We believe this finding arose because a digital version of the organization's CHAR500 was, for some reason unknown to us, not available on the NYS Attorney General's website. The other organization in question has, and had at the time of the Comptroller's Office's vetting, a digital version of its current (for fiscal year 2018) CHAR500 on the NYS Attorney General's website.

It is important to note that, consistent with Directive 23, SIBPO has discretion to award grants, under certain circumstances, to organizations that have not filed an updated CHAR500/IRS Form 990. If SIBPO does not find such updated filings, they are not required by Comptroller's Directives or SIBPO procedures to make a binary decision and deny the grant. Instead, they have "wide latitude"—as expressed in Directive 23—to contact the organization, collect and analyze factual findings, consider special case-by-case circumstances, and seek internal approval to award discretionary grant funding with a commitment from the grantee to provide an updated IRS Form 990/CHAR 500 at a later time. This decision is also informed by whether SIBPO is familiar with the organization as a result of past vetting, has institutional knowledge of that organization, and/or established a working relationship with that organization.

The decision to award a grant to an organization before it filed an updated CHAR500 was made in the instance that the Comptroller's Office flagged for a grant totaling \$25,000. To make that decision, SIBPO engaged in extensive discussions with the organization in question—both before and after the award of the grant with regard to issues related to its filings. Those issues were of a technical/regulatory nature due to the organization's transition to operating under the aegis of a major not-for-profit health and hospital system.

Moreover, the organization in question is primarily funded by federal dollars stewarded by New York State to improve health care for the most vulnerable residents on Staten Island. They are among the most highly regarded of the 25 such entities in New York State and work exclusively to improve health outcomes on Staten Island. Therefore, due to those and other carefully considered factors, SIBPO awarded discretionary grant funding while the organization dealt with the technical regulatory issues relating to their filings.

We understand that the Comptroller's Office cannot verify our vetting process just by taking our word for it. Even though documenting the vetting of grantees is not required by Directive 23, it is clearly necessary for the SIBPO to prove that it properly vets grantees. Therefore, we will incorporate the documentation of vetting into formal internal policies for discretionary grant funding.

Additionally, we will consider measures to bolster our vetting process. SIBPO will, as the Comptroller's Office recommends, refer to the City Council's Discretionary Funding Policies

and Procedures as a reference. We must note however, that the City Council is structured very differently than the Office of the Borough President. Most notably, City Council has separate and predetermined discretionary grant budget lines. There are also significant differences in procedural capacity. As we understand it, City Council outsources many of the necessary grant-related functions to corresponding city agencies relevant to the grant. Those agencies have large, in-house teams to perform grant-related functions. Nonetheless, we will work to adapt City Council's vetting policies where applicable.

***The SIBPO Did Not Obtain Required Information That Would Enable it to Be Alert to Potential Conflicts of Interest***

The Comptroller's Office, in their review of 25 sampled grants, finds that the SIBPO Director of Health and Wellness (Director of H+W) represents Borough Hall's interest on a sampled grantee's membership council and that the SIBPO did not consult with COIB [Conflicts of Interest Board] as recommended by Comptroller's Directive 23 before awarding a grant to that grantee.

In support of this finding, Comptroller's Office cites Section 2.2 of Directive 23:

Borough Presidents must be alert to situations where use of discretionary funds could result in possible conflict of interest situations. For example, it may not be appropriate for Borough President employees to take part in business dealings between their office and organizations with which they are affiliated. The City's Board of Ethics provides guidelines in this area and should be consulted when questions arise.

SIBPO respectfully disagrees with the Comptroller's Office's interpretation of Directive 23 and its application to SIBPO's Director of H+W. Our interpretation of Section 2.2 is that SIBPO should consult COIB when it has questions about situations where SIBPO employees take part in business dealings between their office and organizations with which they are affiliated. This reading of Directive 23 is consistent with both the text of Section 2.2 and the "wide latitude" Directive 23 affords Borough Presidents in awarding discretionary grant funds.

According to this interpretation of Directive 23, SIBPO determined that there was no conflict of interest in connection with SIBPO Director of H+W's participation in a sampled grantee's membership council. Therefore, there was no question of a conflict and no matter to discuss with COIB.

In SIBPO's judgment, the situation was clear cut. The Director of H+W is a part-time employee at SIBPO and a practicing medical doctor. The Director of H+W develops and manages a



portfolio of initiatives designed to improve health outcomes on Staten Island across a variety of key indicators as emphasized by the Borough President—and serves as SIBPO’s subject-matter expert on public health, wellness, and related issues. A detailed job description has been recently sent to and received by the Comptroller’s Office. Most importantly, the Director of H+W is not involved in any of SIBPO’s business dealings—and specifically, does not have any involvement with awarding discretionary grant funds.

The sampled grantee in question has six membership bodies/councils—including a board of directors. The Director of H+W is an uncompensated, nonvoting member of a 70-member membership council. It is critical to note that Director of H+W is not involved in any of the grantee’s business dealings as a consequence of participation in the membership council. Moreover, the Director of H+W is on the membership council in their official capacity and to fulfill the official duties of their role—and in the member directory, the Director of H+W provided SIBPO’s address and an office phone number rather than personal contact information. In the absence of personal or private interests, there is no risk of a conflict between those interests and that of SIBPO. Therefore, there was no question that rose to the level of consulting with the COIB.

Given that the Director of H+W is not, in any capacity, involved in SIBPO’s business dealings, we also did not find it necessary to consult with COIB about the Director’s partnership with three CBOs as indicated in the Comptroller’s audit. It is part of the Director of H+W’s official role and responsibilities to form substantive partnerships with Community Based Organizations with the aim of advancing the Borough President’s public health priorities e.g. substance use disorder, mental health, cardiovascular disease, etc.—and therefore, the role is deliberately disconnected from any involvement with SIBPO’s business dealings.

Despite our contention with the Comptroller’s Office’s finding that SIBPO did not properly consider a conflict of interest risk, we do understand that they based their findings in the evidence that was provided. It is in the SIBPO’s interest, even if not required by Directive 23, to memorialize and document conflicts of interest considerations, opinions, and consultations going forward. SIBPO takes these matters very seriously. Just last year, we proactively organized a conflicts of interest training for SIBPO employees which was conducted by the COIB.

It is also important to mention that the COIB recently promulgated a rule change (Board rule 1-13e) that allows agency heads to, under certain more liberalized circumstances, “designate a public servant to perform work on behalf of a not-for-profit corporation, association, or other such entity that operates on a not-for-profit basis, including serving as a board member or other position with fiduciary responsibilities.” Therefore, we will consult with the COIB to confirm that SIBPO is following the correct and up-to-date procedures under the framework of the recent rule change with regard to the Director of H+W’s affiliations as identified by the Comptroller’s audit.

The Comptroller's Office also found that SIBPO did not obtain lists of the directors, executives, and principals for any of the 25 sampled grants. In response, SIBPO has, as of this writing, implemented an internal procedure to ensure the required lists are retained for every grant application. Moreover, SIBPO has included language in its grant agreements requiring grantees to provide the required up-to-date lists.

It is important to note, that the Comptroller's 2003 audit of SIBPO was of the processes and procedures of a different Borough President administration—with a materially different organizational structure. Very few, if any, current SIBPO employees were employed by SIBPO in 2003 under the previous administration. We will however, review the 2003 audit to inform our discretionary grant practices, policies, and procedures.

### ***The SIBPO Does Not Have Written Policies and Procedures for Discretionary Grants***

SIBPO does not dispute, as a factual matter, the Comptroller's Office's finding that it does not have formal written policies and procedures for discretionary grants. Moreover, the Comptroller's Office correctly cites that Section 5.11 of Comptroller's Directive 1 states that "internal controls should be documented in management administrative policies or operating manuals." SIBPO, however, respectfully disagrees with the Comptroller's audit finding that, since SIBPO did not have written policies, it "...relied instead on the Director's individual knowledge and experience" when processing discretionary grants. We contend that SIBPO's ACCO and Procurement staff relied primarily on the Comptroller's Directives.

Section 5 of Directive 1 identifies several examples of effective internal controls useful to agency management. Most notably, the section states, "an agency's internal control system should be flexible and allow tailoring of its controls to fit its special needs. The specific controls used by a given agency may be different from those used by others due to a number of organizational factors including threats they may face and risks they may incur, differences in objectives, operational environment, and requirements for system reliability, availability and performance." Given SIBPO's unique organizational structure, we have developed our own tailored, comprehensive, and appropriate internal controls that we determined were best suited to meet the special needs of the agency.

SIBPO will document those internal controls in a finalized written policy on discretionary grant funding, distribute that policy to employees, and provide updated training to the procurement staff.

## **Recommendations**

- 1. Obtain and review grant documentation including but not limited to invoices and receipts, event flyers or advertisements, and canceled checks, prior to authorizing payment;**

*SIBPO will request and review grant documentation before and after authorizing grant payments—consistent with the discretion Borough Presidents are granted in Comptroller’s Directive 23. We will take steps, to be reflected in a finalized written policy, to collect all required supporting documentation before authorizing payments. SIBPO will reserve the right, in line with Directive 23, to make exceptions to this recommendation under certain circumstances which it will work to identify and expressly enumerate.*

- 2. Consider recouping grant funds totaling \$5,000 that may not have been used for their intended purposes;**

*SIBPO will continue investigating this matter and will consider recouping grant funds.*

- 3. Conduct timely field visits to ensure that discretionary grant funds are used for their intended purposes;**

*SIBPO will work to conduct field visits within a shorter timeframe to the fullest extent of its capacity. We will also consider the feasibility of implementing policy changes, such as the imposition of a grant application deadline, toward this recommendation.*

- 4. Complete Field Observation Staff Reports to document field visit results;**

*SIBPO will ensure that Field Observation Staff Reports are completed.*

- 5. Properly conduct and document the grant vetting process and ensure that the results are reported to the appropriate personnel before decisions on grant-awards are made;**

*SIBPO will ensure that its comprehensive vetting process is documented so that it could demonstrate that it conducts vetting properly and reports the results of that vetting to appropriate personnel before grant funding is awarded.*

- 6. Obtain complete lists of organizations’ directors, executives, and principals at the time of the grant and use those lists to identify potential conflicts of interest;**

*SIBPO will obtain and retain up-to-date lists of grantees’ directors, executives, and principals—and use those lists to identify potential conflicts of interest.*

- 7. Consult with the COIB on potential conflicts of interest, including but not limited to, the SIBPO granting discretionary funds to organizations which the SIBPO or its employees are affiliated;**

*As questions about potential conflicts of interest arise, as per Comptroller's Directive 23, SIBPO will consult with the COIB. In any case, including when SIBPO employees are affiliated with a prospective grantee, we will document conflicts of interest considerations, opinions, and instances of consultation.*

- 8. Implement internal controls, including but not limited to management review and tracking over the discretionary grant process, to ensure that key tasks such as vetting grantees, collecting and reviewing required documentation, and conducting field visits, are performed timely and properly; and**

*SIBPO will strengthen its internal controls as per this recommendation.*

- 9. Establish written policies and procedures, communicate them to staff, and train staff on their responsibilities for discretionary grants.**

*SIBPO will finalize written policies and procedures, communicate them to staff, and train staff on their responsibilities for discretionary grants.*

## **Operating Expenditures**

### ***Certain SIBPO Operating Expenditures Were Not Properly Approved, Adequately Supported, or Appropriate***

The Comptroller's Office relies heavily on the SIBPO's draft policy (SIBPO Manual) as a basis for this finding. It is important to note that the SIBPO Manual is a working document and not yet finalized—specifically since it is based on a best practices template, SIBPO has not yet incorporated customized exceptions to its operating expenditure processes and procedures. In addition to expressly enumerating exceptions, SIBPO will ensure that the Manual incorporates Comptroller's Office's recommendations as outlined in this audit report.

To provide context, SIBPO's Procurement Department, comprised of the ACCO and two (2) employees, not only handled 95 discretionary grants in FY 2018, but also processed 247 operating expenditures. Moreover, as previously mentioned, 80% of SIBPO's discretionary grants for 2018 were submitted and processed in the final month of the fiscal year.<sup>1</sup> We believe it is important to distinguish SIBPO from other city agencies that employ large, hyper-specialized procurement departments. SIBPO's small but talented team works to juggle day-to-day operating expenses, discretionary grants and other key operational duties.

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<sup>1</sup> Technically, there was a short period of fiscal year 2018 that crossed over into July. For FY 2018, SIBPO processed 5 additional grants on July 3rd, \$14,550.00, which were included in the FY 2018 total grants dollar amount. The actual percentage of grants processed during the final weeks of the FY (June 6, 2018 to July 3, 2018), therefore, was in actuality 83%.

The Comptroller's audit finds that 17 expenditures, totaling \$43,342, were not properly approved, not adequately supported, not appropriate, or were affected by a combination of those issues. It further finds that 12 expenditures, totaling \$30,563, were not properly approved in that they either did not have a Blue Slip that was approved in advance (4 expenditures) or were not approved at all (8 expenditures).

SIBPO respectfully submits that it has provided sufficient evidence to the Comptroller's Office that 9 of the 17 identified expenditures were in fact properly approved, adequately supported and appropriate. These expenditures, as we communicated to the Comptroller's Office, were part of a blanket purchase order memorandum—and expenditures listed on blanket purchase memoranda are exempted from SIBPO's Blue Slip requirement.

At the beginning of each fiscal year, SIBPO creates a blanket purchase memorandum listing reoccurring and anticipated expenditures. Only upon approval of that memo by the Agency head and/or Chief of Staff, is a purchase order created and processed by the procurement team. In our review of this finding by the Comptroller's Office, we can confirm that 9 of the 17 expenditures were included in the SIBPO's blanket purchase memorandum. Therefore, given the aforementioned process, these expenditures could not have processed without prior approval at the beginning of the fiscal year.

There are various well-established exceptions to SIBPO's procurement procedure, including the blanket purchase memorandum exception, that have not yet been enumerated in the working draft SIBPO Manual provided to the Comptroller's Office. SIBPO will ensure that all exceptions are expressly detailed in the final version of the Manual. In addition, SIBPO will ensure that all blanket purchase memoranda going forward sufficiently document "a description of the goods or services, how they relate to SIBPO operations, [and] the appropriate SIBPO supervisory personnel review and approval."

The Comptroller's audit cites an emergency expense for \$125 and a \$10,700 expenditure for an application software renewal as two of the four expenditures that were found not to be approved in advance. SIBPO submits that both of these expenditures were approved in advance. A Blue Slip to document that approval was not created in advance because the \$125 expenditure was an emergency and the \$10,700 expenditure was a renewal of an application software service. While SIBPO typically does not complete Blue Slips in advance for renewals/reoccurring payments, we will reform that practice going forward in accordance with the Comptroller's Office's recommendations.

The other expenditure cited in the Comptroller's audit, among the 4 found not to be approved in advance, was for the purchase of a new application software, totaling \$15,727. SIBPO submits that it engaged in an extensive and well-documented vendor solicitation, selection, and award

process in connection with this expenditure. There was approval in advance across several stages of the selection process—as cited in the Comptroller’s audit: “The SIBPO provided us with documentation of the vendor solicitation, selection, and award process, and a signed contract and invoice.” Yet, the Comptroller’s Office maintains strictly that the SIBPO Manual does not allow SIBPO any flexibility to proceed with a contract before first completing a Blue Slip. Setting aside that rigid technical argument, SIBPO maintains that it provided more than sufficient evidence that this expenditure was adequately supported and approved in advance.

Comptroller’s Directive 24, Section 4.4.2, states that “Purchase Documents require the approval of the purchasing agency’s ACCO or designee.” SIBPO’s purchasing designee signed both the purchase contract for the new software application and the Blue Slip subsequent to the execution of the contract. Therefore, while the order of operations may have been inconsistent with the required procedure prescribed in the SIBPO Manual, it is nonetheless clear that SIBPO’s designee approved the expenditure in accordance to Comptroller’s Directive 24.

The Comptroller’s Office, based on 25 sampled operating expenditures, also found that Blue Slips did not clearly describe the expenditure or why the user department needed the goods or services requested. In light of this finding, SIBPO will work to revamp its Blue Slip practices and procedures. Given that Blue Slips are predominately used for internal verification and record keeping, SIBPO’s procurement staff utilized short-hand and brief descriptions which, upon review, would be obvious and understandable to SIBPO officials. We, however, appreciate the Comptroller’s Office’s concern and agree that Blue Slips should contain quantities and descriptions that document adequate support for an expenditure. SIBPO, therefore, commits to ensuring that Blue Slips include sufficient descriptions of goods and services, quantities, and how expenditures relate to SIBPO operations.

The Comptroller’s Office initially flagged an expenditure of \$105 for meals as potentially unrelated to City business. The audit report reflects that the Comptroller’s Office is now satisfied with the documentation that SIBPO has provided which clearly demonstrates that the expenditure was related to City business. They point out however, that such documentation should have been maintained with the expense file. SIBPO agrees with the Comptroller’s Office that this critical information should be properly filed and readily available to external reviewers—and will ensure that is the case going forward.

SIBPO credits the Comptroller’s Office for alerting SIBPO to issues related to an expenditure, totaling \$7,500, made to the South Shore Band. As the Comptroller’s audit correctly cites, the expenditure was for a one-time request for the creation of a “Commemorative CD.” SIBPO acknowledges that this expenditure should have been processed as a grant. Due to timing constraints however, an executive decision was made to permit a one-time-only exception and disburse the funds as an expenditure.



The South Shore Band, founded in 1987, is a “volunteer adult community band based in Staten Island.” The band “offers service[s] to [its] local communities through concerts, performing at civic events and other occasions where [it] can deepen the general public's appreciation for live performance and instill a greater pride in [its] community. The band hosts between five and ten public events a year. In 2018, for example, it hosted five public events and in 2019 nine public events were scheduled on Staten Island.

The Comptroller's audit cites that SIBPO's former Director of Contracts and Procurement was, at the time of the expenditure, a member of the band. SIBPO clearly and unequivocally attests that the membership of a former Director did not in any way influence its decision to provide funding to this organization. Given the South Shore Band's long history of community service, SIBPO would have responded favorably to outreach from any of its 36 volunteer band members—of which the former Director was one.

It is important to note that the former Director's employment at SIBPO officially ended in March 2014—only 3 months into the current Borough President's administration. This fact is also important because it evidences compliance with City's Board of Ethics' one-year, post-employment ban. According to Charter §2604(d)(2), former public servants may not accept anything from anyone, including the City, for communicating with their former City agency. In this case, the former Director left SIBPO more than three years before the expenditure in question. Moreover, he was an unpaid volunteer band member for the South Shore Band.

The Comptroller's Office further flags that the vendor's quote in connection with this expenditure was addressed to the former Director. That however, was the vendor's error, and cannot be attributed to SIBPO. It is not for us to speculate the reason for this error, but the vendor was likely dealing with the former Director in his capacity as a volunteer band member for the South Shore Band—and mistakenly assumed that that's to whom the quote should be addressed. That error was corrected, a new invoice was issued, and SIBPO provided the Comptroller's Office with the corrected invoice. Most importantly, SIBPO paid the vendor directly to produce the commemorative CDs to be distributed for free at a public event. There is no indication that the former Director or any individual member of the band personally benefited from SIBPO's expenditure. Nonetheless, in our efforts to resolve the issue with the South Shore Band, we believe the best course of action moving forward is to seek recoupment of the expenditure.

### ***The SIBPO Charged Expenditures to Incorrect Object Codes***

Based on the Comptroller's Office's review of 37 sampled operating expenditures, totaling \$69,916, they found that the SIBPO charged 10 expenditures totaling \$3,490 (5 percent of the total dollar amount sampled) to the incorrect object codes. Of those 10, they found that 6 were

improperly coded as “Special Expenditures.” SIBPO recognizes the importance of using correct object codes in FMS. Therefore, even though only 5% of the total expenditures reviewed were found to be charged to incorrect object codes, we will work to get that total down to 0%. Specifically, we will train staff to refrain from utilizing the “Special Expenditures” code as a general catch-all.

### ***The SIBPO Did Not Mark Documentation as Paid or Vouchered***

Based on the Comptroller’s Office’s review of 12 sampled checks issued through the Imprest Fund bank account, totaling \$1,367, they found that SIBPO did not stamp or annotate any invoices, receipts, or supporting documentation as “PAID, CHECK#, DATE.” They further find that based on a review of 25 sampled expenditures processed through FMS totaling \$68,549, 3 expenditures totaling \$1,390 (2 percent of the total dollar amount sampled), did not have a vouchered stamp on all payment documents as required by the SIBPO Manual. SIBPO recognizes the importance of marking documentation as paid or vouchered and will work to bring the percentage of omitted stamps down to 0% moving forward.

### ***Recommendations***

- 10. A Blue Slip is completed and approved for expenditures that require one prior to initiating a purchase;**

*SIBPO accepts Comptroller’s recommendation.*

- 11. Receipts, invoices, and other documentation to show that expenditures were related to SIBPO operations are maintained on file at the SIBPO;**

*SIBPO accepts Comptroller’s recommendation.*

- 12. Imprest Fund bank account checks are signed only after the signer receives the necessary supporting documentations for that expenditure;**

*SIBPO accepts Comptroller’s recommendation.*

- 13. The user department requesting purchases adequately describes the goods or services being purchased and how the expenditure relates to SIBPO operations on the Blue Slip;**

*SIBPO accepts Comptroller’s recommendation.*

- 14. Blue Slip approvers review the descriptions and justifications for expenditures to ensure that Blue Slips adequately describe how the expenditure relates to SIBPO operations;**

*SIBPO accepts Comptroller’s recommendation.*

**15. It charges expenditures to the correct object code in accordance with Comptroller's Directive #24;**

*SIBPO accepts Comptroller's recommendation.*

**16. Invoices, receipts, or supporting documentation for Imprest Fund expenditures are stamped or annotated as follows: PAID, CHECK #, DATE; and**

*SIBPO accepts Comptroller's recommendation.*

**17. FMS payment documents are stamped as vouchered immediately after a voucher is prepared.**

*SIBPO accepts Comptroller's recommendation.*

## **Conclusion**

SIBPO thanks the Comptroller's Office—specifically Deputy Comptroller Marjorie Landa and the auditing team—for their professionalism, courtesy, and collaborative approach in conducting this audit. The Comptroller's Office generously afforded us the opportunity to respond to preliminary findings and provide documentation to address those findings throughout the entirety of this audit process. Despite our contention with numerous findings contained in the draft audit report—mostly related to the interpretation of the Comptroller's Directives—we appreciate that the Comptroller's Office approached this process with utmost respect and integrity.

At SIBPO, we know a thing or two about thankless, but mission critical work. The Comptroller's audits on procurement and discretionary grant practices are an essential safeguard against the improper use of public funds. Our extensive response to this draft report, within a short 10-business day span as allotted, demonstrates just how seriously we approached the audit process. Most importantly, we consider our response only a first step to strengthening our internal controls over procurement and discretionary grants. SIBPO will now work to finalize written policies for discretionary grant funding and operating expenses—and to incorporate the recommendations enumerated in the Comptroller's audit as agreed upon in our response.