

AUDIT REPORT



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

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

FP04-058A

December 7, 2004



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

WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the Comptroller's responsibilities contained in Chapter 5, §93 of the New York City Charter, my office has examined the compliance of the Brooklyn Borough President's Office with certain City payroll, timekeeping, purchasing, and inventory procedures, as set forth in the New York City Comptroller's *Internal Control and Accountability Directives*; Department of Citywide Administrative Services personnel rules and leave regulations; Department of Investigation's *Standards for Inventory Control and Management*; and applicable Procurement Policy Board rules. The results of our audit, which are presented in this report, have been discussed with officials from the Borough President's Office, and their comments have been considered in preparing this report.

Audits such as this provide a means of ensuring that agencies follow City guidelines and that government dollars are used appropriately and in the best interest of the public.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please contact my office at 212-669-3747 or e-mail us at audit@Comptroller.nyc.gov.

Very truly yours,

A handwritten signature in cursive script that reads "William C. Thompson, Jr.".

William C. Thompson, Jr.

WCT/gr

Report: **FP04-058A**
Filed: **December 7, 2004**

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

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

FP04-058A

AUDIT REPORT IN BRIEF

This audit determined whether the Brooklyn Borough President's Office complied with certain payroll, personnel, timekeeping, purchasing, and inventory procedures, as set forth in the New York City Comptroller's Internal Control and Accountability Directives (Comptroller's Directives) 3, 13, 23, 24, and 25; Department of Citywide Administrative Services (DCAS) personnel rules and leave regulations (City Time and Leave Regulations); and applicable Procurement Policy Board (PPB) rules relating to bidding requirements.

Audit Findings and Conclusions

The audit found that the Borough President's Office generally adhered to Comptroller's Directives 3, 13, 23, 24, and 25, City Time and Leave Regulations, and the PPB rules. In addition, our examination of the Borough President's Office OTPS expenditures disclosed no instances in which moneys were improperly used.

However, the Borough President's Office: did not charge three employees' leave balances for 12 hours not worked; incorrectly charged one employee for 12 hours leave that the employee did not use; underpaid three employees \$1,006 when they separated from the Borough President's Office; permitted employees to carry compensatory time beyond the 120 day limit; did not encumber the funds for two purchases as required by Directive 25; and, did not maintain complete and accurate inventory records for its equipment.

Audit Recommendations

To address these issues, we make 10 recommendations, including that the Borough President's Office:

- Make appropriate adjustments to employee leave balances based on the audit findings.

- Ensure that timekeeping transactions are carefully reviewed so that timekeeping errors are avoided.
- Should carefully review separation payments before final payments are made to ensure that employees are accurately paid.
- Should require employees to use compensatory time within 120 days after it is earned. If an employee does not adhere to this requirement, the compensatory time should be converted and incorporated in the employees' sick leave balance. If an employee cannot use compensatory time within 120 days of its being earned, appropriate authorization should be maintained allowing the carryover of this time past the 120-day limit.
- Ensure that miscellaneous vouchers are used in accordance with Comptroller's Directive 25.
- Ensure that complete and accurate inventory records are maintained.

INTRODUCTION

Background

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

During Fiscal Year 2003, the Personal Service (PS) expenditures for the Brooklyn Borough President's Office (Borough President's Office) amounted to \$4,174,341. The Borough President's Office Other Than Personal Services (OTPS) expenditures amounted to \$908,888.

Objective

This audit was conducted to determine whether the Brooklyn Borough President's Office is complying with certain payroll, personnel, timekeeping, purchasing, and inventory procedures, as set forth in the New York City Comptroller's Internal Control and Accountability Directives

(Comptroller's Directives) 3, 13, 23, 24, and 25¹; Department of Citywide Administrative Services (DCAS) personnel rules and leave regulations (City Time and Leave Regulations); and applicable Procurement Policy Board (PPB) rules relating to bidding requirements.

Scope and Methodology

This audit covered the period July 1, 2002, through June 30, 2003.

To obtain an understanding of the procedures and regulations with which the Brooklyn Borough President's Office is required to comply, we reviewed relevant provisions of: Comptroller's Directives 3, 13, 23, 24, and 25; City Time and Leave Regulations; and applicable PPB rules. Since the Borough President's Office has no inventory procedures, we used the New York City Department of Investigation's *Standards for Inventory Control and Management* as the criterion for assessing inventory controls. We interviewed staff at the Borough President's Office to obtain an understanding of the payroll, personnel, timekeeping, and purchasing procedures in place and to determine how physical assets are safeguarded.

Tests of Compliance with Comptroller's Directive 13 and City Time and Leave Regulations

We reviewed attendance records of 30 randomly selected employees—27 non-managerial employees and three managerial employees—for the two-week period June 15, 2003, through June 28, 2003, to determine whether the Borough President's Office maintains reliable and accurate time records. These 30 employees were selected from the 70 employees (60 non-managerial employees and 10 managerial employees) listed on the Borough President's Office payroll records for the month ending June 30, 2003, so as to assess records at fiscal-year end. We examined the attendance records for completeness and evidence of supervisory review. We compared the attendance records to the City's Payroll Management System (PMS) Employee Leave Details Report (PEILR721) to determine whether all reportable timekeeping transactions were accurately posted on PMS. We reviewed compensatory time transactions and annual leave use for evidence of proper approvals and posting.

For our tests of separation payments, we selected all 27 non-managerial employees who separated from City service during Fiscal Year 2003. We determined whether separation payments to these individuals were properly calculated. We also checked whether all 27 employees were appropriately removed from the City payroll.

¹ Comptroller's Directive 3, "Procedures for the Administration of Imprest Funds"; Comptroller's Directive 13, "Payroll Procedures"; Comptroller's Directive 23, "Monitoring and Accountability of Discretionary Funds Provided to Borough Presidents"; Comptroller's Directive 24, "Purchasing Function—Internal Controls"; and Comptroller's Directive 25, "Guidelines for the Use and Submission of Miscellaneous Vouchers."

To determine whether the Borough President's Office employees were receiving salaries that were within the salary ranges of their civil service titles, we compared the salaries of all individuals listed on PMS as employees to the minimum and maximum salary amounts of their civil service titles specified in the City Career and Salary Plan. We reviewed the Paycheck Distribution Control Report (form 319) for the pay periods ending June 6, 2003, and June 20, 2003, to ascertain whether employees signed for their paychecks. In addition, for a random sample of 30 employees listed on the payroll register for the June 3, 2004 payroll, we performed a floor check, observing employees and inspecting their photo identification cards to assess their status as bona fide employees.

We determined whether compensatory time that was carried beyond the 120-day limit for its use was transferred to sick leave, in accordance with the City Time and Leave regulations. If such compensatory time was not transferred to sick leave, as required, we determined whether the personnel files contained documentation authorizing that the time be carried over. We also determined whether medical documentation, when required by City Time and Leave regulations, appropriately supported sick-leave use. Finally, we determined whether approved carryover authorizations were present in employees personnel files for those employees who had excess annual leave balances (more than the amount that each employee earns in a two-year period) to their credit.

We reviewed salary history reports and related approval documentation covering Fiscal Year 2003 for all employees listed on PMS to determine whether their pay increases were accurately calculated and properly authorized.

The results of the above tests covering the sample, while not projectable to all employees, provided a reasonable basis to assess the compliance of the Borough President's Office with Comptroller's Directive 13 and City Time and Leave Regulations.

Tests of Compliance with Comptroller's Directives 3, 23, 24, 25 and Bidding Requirements of the PPB Rules

The Borough President's Office issued a total of 441 payment vouchers (365 purchase vouchers, 42 imprest fund vouchers, and 34 miscellaneous vouchers) totaling \$683,557 for purchases in Fiscal Year 2003. Of the 441 vouchers, we selected 49 vouchers (34 purchase vouchers, eight imprest fund vouchers, and seven miscellaneous vouchers) totaling \$162,468 processed during June and July 2003 so as to assess internal controls at fiscal year-end. We examined each voucher for the requisite approvals and authorizations and for evidence that the transactions were for proper business purposes and were supported by adequate documentation. For the 34 purchase vouchers, we determined whether: each voucher was properly coded; an authorized purchase order was on file; sales and excise taxes were properly excluded from payments; and bids were obtained when required by PPB rules. With regard to the seven miscellaneous vouchers, we determined whether the vouchers were issued for only allowable purposes, were properly coded, and excluded sales and excise taxes. We examined each voucher package to ensure that all pages were stamped "vouchered" as required by Directive 24.

We also reviewed documentation related to four discretionary grants with the highest dollar amounts of the 20 discretionary grants issued by the Borough President's Office during Fiscal Year 2003 to determine whether the Borough President's Office complied with Comptroller's Directive 23.

The results of the above tests, while not projectable to all payment vouchers processed during the audit period, provided a reasonable basis to assess the Borough President's Office compliance with Comptroller's Directive 23, 24, and 25.

To assess the Borough President's Office controls over the imprest fund at fiscal year-end, we selected all eight imprest fund vouchers issued during June 2003 and July 2003 and related supporting documentation. Specifically, we examined the 77 canceled checks related to those vouchers for the presence of: authorized signatures and amounts; a specific payee (as opposed to "bearer" or "cash"); an endorsement; and a "void after 90 days" inscription on each check. We also traced the canceled checks to the bank statements, and we determined whether appropriate bank reconciliations were performed. Finally, we determined whether imprest fund expenditure amounts were within the \$250 allowable amount specified in Comptroller's Directive 3.

The results of the above tests, while not projectable to all imprest fund vouchers processed during the audit period, provided a reasonable basis to assess the Borough President's Office compliance with Comptroller's Directive 3.

Tests of Inventory Records

We randomly selected 50 of the 257 major equipment items (including computers, printers, monitors, fax machines, and televisions) listed on the Borough President's Office inventory records as of June 1, 2004, and determined whether they were on hand. We also determined whether 23 other pieces of equipment that were on hand in the Borough President's Office were listed on the June 1, 2004 inventory records. In addition, we determined whether the 37 pieces of equipment purchased during Fiscal Year 2003 were on hand and properly recorded on the inventory records. Finally, we determined whether all items examined were properly tagged as property of the Borough President's Office. The results of the above tests, while not projectable to all major equipment items, provided a reasonable basis to assess the Borough President's Office controls over inventory.

* * * *

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

Discussion of Audit Results

The matters covered in this report were discussed with the Borough President's Office officials during and at the conclusion of this audit. A preliminary draft report was sent to the Borough President's Office and discussed at an exit conference held on October 27, 2004. On October 29, 2004, we submitted a draft report to the Borough President's Office with a request for comments.

We received a written response from the Borough President's Office officials on November 4, 2004 in which they agreed with the audit recommendations and described the specific steps that have been taken to address the exceptions noted in the report. The full text of the comments from the Borough President's Office is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

The Borough President's Office generally adhered to Comptroller's Directives 3, 13, 23, 24, and 25, City Time and Leave Regulations, and the PPB rules. In this regard, we found:

- Employees' annual leave balances did not exceed the two-year accrual limit;
- Employees received salaries that were within the salary ranges of their civil service titles;
- Pay increases were properly calculated and authorized;
- Employees signed for their paychecks;
- Sampled employees were bona fide;
- Items purchased were necessary for Borough President's Office operations;
- Bids were obtained for purchases exceeding \$2,500;
- Sampled vouchers and corresponding purchase orders were properly approved and the amounts paid to vendors were accurately calculated and excluded sales and excise taxes;
- Appropriate documentation was maintained to support the sampled vouchers;
- All pages in sampled voucher packages were stamped "vouchered" as required by Directive 24;
- Discretionary grants were: properly approved; for a specific purpose; and used as intended;

- Imprest fund purchases did not exceed the \$250 expenditure limitation;
- Imprest fund checks, with the exception of one check, had the required authorized signatures, designated specified payees, and had the inscription “void after 90 days”;
- The imprest fund bank account was reconciled appropriately; and
- Invoices were maintained to support imprest fund payments.

In addition, our examination of the Borough President’s Office OTPS expenditures disclosed no instances in which moneys were improperly used. However, the Borough President’s Office did not comply with some provisions of City Time and Leave and Regulations, and Comptroller’s Directives 3, 13, and 25. These minor instances of noncompliance, as well as the issues related to inventory controls, are discussed in detail in the following sections of this report.

Timekeeping Issues

Our review of the timekeeping records disclosed the following exceptions:

- Two instances, totaling 11 hours, in which two employees were not charged vacation or sick leave;
- Two instances in which an employee was overcharged 12 hours of compensatory time;
- One instance in which an employee was undercharged one hour of compensatory time.

Recommendations

The Borough President’s Office should:

1. Make appropriate adjustments to employee leave balances based on the audit findings.
2. Ensure that timekeeping transactions are carefully reviewed so that timekeeping errors are avoided.

Borough President’s Office Response: “Due to new staff taking on the responsibility, four various instances of improper timekeeping practices took place.

“Current staff are fully trained and knowledgeable as to provisions of City Time and Leave Regulations, and Comptroller’s Directives 3, 13, and 25. Previous errors have been corrected.”

**Incorrect Payments to Employees
Who Separated from City Service**

Our review disclosed that three employees were underpaid \$1,006 when they separated from the Borough President's Office. These errors were attributable to annual leave that was earned during the employees' last month of work but not credited to their time balances.

Recommendations

The Brooklyn Borough President's Office should:

3. Carefully review separation payments before final payments are made to ensure that employees are accurately paid.
4. Compensate the three former employees for the hours of annual leave they accrued during their last month of work.

Borough President's Office Response: "Procedures have been implemented to ensure thorough review of staff separating in a more timely fashion to account for the delay in the City's Payroll Management System.

"Separated employees have been paid."

**Employees Permitted to Carry Compensatory
Time Beyond the 120-Day Limit**

The Borough President's Office did not ensure that all employees used compensatory time within the 120 days, as required by the City Time and Leave Regulations. Consequently, as of July 1, 2002, two employees had a combined total of 111 hours of compensatory time that was not used within 120 days. According to City Time and Leave Regulations, employees must use compensatory time within four months of its being earned. Any such time not used should be added to the employees' sick leave balances, unless the agency authorizes employees in writing to carry it forward. However, the Borough President's Office did not transfer this time to the employees' sick leave balances until April 2003, and there was no documentation on file authorizing the employees to carry the compensatory time beyond the 120 days.

Recommendation

5. The Borough President's Office should adhere to City Time and Leave Regulations requiring employees to use compensatory time within 120 days after it is earned. If an employee does not adhere to this requirement, the compensatory time should be converted and incorporated in the employees' sick leave balance. If an employee cannot use compensatory time within 120 days of its being earned, appropriate authorization should be maintained allowing the carryover of this time past the 120-day limit.

Borough President's Office Response: "Employees have been informed of the City's Time and Leave Regulations, and the necessity of submitting timesheets and compensatory time requests on a weekly basis. Timely submission of forms should eliminate problems of this nature in the future."

Payment Weaknesses

Our review of 49 payment vouchers and their supporting purchase documents revealed minor weaknesses in the Borough President's Office payment practices. Specifically, two miscellaneous vouchers were improperly used to pay for office supplies and computer research services. Directive 25 states that miscellaneous vouchers are to be used only when estimated or actual future liability is not determinable and an Advice of Award, purchase order, or agency encumbrance is not required or applicable. Also, one imprest fund check did not contain two authorized signatures, as required by Comptroller's Directive 3.

Recommendations

The Borough President's Office should ensure that:

6. Miscellaneous vouchers are used in accordance with Comptroller's Directive 25.
7. All imprest fund checks issued contain two authorized signatures.

Borough President's Office Response: "The two payment vouchers in question, were utilized due to the fact that FMS does not allow for the increase of purchase orders after June 30. Therefore, payment vouchers were the only method of securing payment to the vendors. In the future, we will try to over-project purchase order totals toward the end of the fiscal year to allow for last minute increases in payment amounts.

"One signature was missing on an imprest check. A more thorough review will take place prior to imprest checks being issued."

Auditor Comment: We are pleased that the Borough President’s Office is no longer going to use miscellaneous vouchers to make purchases that are not in accordance with Directive 25. In regards to the cases cited in the report, the Borough President’s Office should not have been concerned about the June 30th cut-off date for adjustments given that the purchases occurred in March and April. Furthermore, the Borough President’s Office response that it “will try to over-project purchase order totals toward the end of the fiscal year to allow for last minute increases in payment amounts.” is unclear. Therefore we do not know if this approach is in accordance with City accounting policy.

Inventory Control Weaknesses

The Borough President’s Office did not maintain complete and accurate inventory records for its equipment. Specifically,

- Three items on the inventory list—a computer, a monitor, and a printer—could not be found;
- 20 items were not included on the inventory list;
- Seven items were listed with incorrect identification tag numbers;
- Four items were listed with incorrect serial numbers; and
- Three items did not have affixed identification tags.

After discussing these issues with Borough President’s Office officials, they made the appropriate adjustments to the inventory records.

Recommendations

The Borough President’s Office should:

8. Ensure that complete and accurate inventory records are maintained.
9. Ensure that identification tags are affixed to all items.
10. Attempt to locate the three items that were not found during the audit.

Borough President’s Office Response: “As to three items missing: one was an antiquated printer that was relinquished long ago; the monitor and computer were relinquished, but had an error in numbering of the identification tags.

“Procedures have been put in place to immediately tag and maintain an up to date listing of all inventory.”



OFFICE OF THE BROOKLYN BOROUGH PRESIDENT

GREGORY D. ATKINS
Chief of Staff

November 4, 2004

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

RE: Audit Report on the Financial
Operating Practices of the
Brooklyn Borough President's Office

Dear ~~Mr.~~ ^{Greg} Brooks:

On October 27, 2004 your staff conducted our agency's Exit Interview conference. We respectfully request the following comments and/or plans for improvement are included in the final draft of our audit report.

If you have any questions, feel free to contact Melody Ruiz, Director of Administration at (718) 802-4095.

Sincerely,

Gregory D. Atkins
Chief of Staff

C: Lawrence Welgrin, Audit Manager

OFFICE OF THE BROOKLYN BOROUGH PRESIDENT'S
AUDIT RESPONSE

Timekeeping Issues

Due to new staff taking on the responsibility, four various instances of improper timekeeping practices took place.

Current staff are fully trained and knowledgeable as to provisions of City Time and Leave Regulations, and Comptroller's Directives 3, 13, and 25. Previous errors have been corrected.

**Incorrect Payments to Employees
Who Separated from City Service**

Procedures have been implemented to ensure thorough review of staff separating in a more timely fashion to account for the delay in the City's Payroll Management System.

Separated employees have been paid.

**Employees Permitted to Carry Compensatory
Time Beyond the 120-Day Limit**

Employees have been informed of the City's Time and Leave Regulations, and the necessity of submitting timesheets and compensatory time requests on a weekly basis. Timely submission of forms should eliminate problems of this nature in the future.

Payment Weakness

The two payment vouchers in question, were utilized due to the fact that FMS does not allow for the increase of purchase orders after June 30. Therefore, payment vouchers were the only method of securing payment to the vendors. In the future, we will try to over-project purchase order totals toward the end of the fiscal year to allow for last minute increases in payment amounts.

One signature was missing on an imprest check. A more thorough review will take place prior to imprest checks being issued.

Inventory Control Weaknesses

As to three items missing: one was an antiquated printer that was relinquished long ago; the monitor and computer were relinquished, but had an error in numbering of the identification tags.

Procedures have been put in place to immediately tag and maintain an up to date listing of all inventory.