

AUDIT REPORT



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

Audit Report on the Financial and Operating Practices of the Kings County District Attorney's Office

MH05-054A

December 22, 2005



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

WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the responsibilities of the Comptroller contained in Chapter 5, §93, of the New York City Charter, my office has audited the financial and operating practices of the Kings County District Attorney's Office. The audit determined whether the Kings County District Attorney's office complied with City guidelines for payroll, personnel, timekeeping, purchasing, and inventory control.

The City supports the five District Attorneys' Offices by providing yearly tax-levy appropriations; the District Attorneys use these funds for general operating expenses. We audit such organizations to ensure that City funds are expended appropriately and in accordance with established procedures and safeguards.

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

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

Very truly yours,

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

William C. Thompson, Jr.

WCT/ec

Report: MH05-054A

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ADDENDUM: Kings County District Attorney’s Office Response

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

**Audit Report on the
Financial and Operating Practices of the
Kings County District Attorney's Office**

MH05-054A

AUDIT REPORT IN BRIEF

This audit determined whether the Kings County District Attorney's Office is complying with City guidelines for payroll, personnel, timekeeping, purchasing, and inventory control. The scope of the audit was the period July 1, 2003, through June 30, 2005 (Fiscal Years 2004 and 2005).

Audit Findings and Conclusions

The Kings County District Attorney's Office (District Attorney's Office) adhered to several aspects of Comptroller's Directive #13, #14, and #24. Regarding Personal Services (PS), we found that sampled employees were bona fide and their time and attendance were recorded. Annual leave, sick leave, and compensatory time use were accurately recorded and deducted from the City's Payroll Management System (PMS), overtime and compensatory time were properly approved, and annual and sick leave were properly accrued based on employees' length of service. In addition, the payroll process was adequately segregated and undistributed paychecks were carefully controlled to insure that they were not misappropriated.

Regarding Other Than Personal Service (OTPS) expenditures, we found that the items purchased were necessary for District Attorney's Office operations. Sampled voucher line amounts and corresponding purchase orders were properly approved, and the amounts paid to vendors were accurately calculated. In addition, appropriate documentation to support each payment was maintained for the sampled vouchers.

However, the District Attorney's Office had instances of noncompliance with regards to personnel, timekeeping, purchasing, and inventory guidelines that need to be addressed. Specifically, the annual salaries of 178 of the 534 District Attorney's Office non-Assistant District Attorney (ADA) employees were not within the salary range of their Career and Salary Plan titles, employees were allowed to leave work early the day before major holidays and the Friday before holiday weekends without charging their accrued leave time, and five employees

from our 55 sampled non-ADA employees had more than five instances of undocumented sick leave within a “sick leave” period, but were not placed on sick leave restriction.

In addition, we determined that personnel files lacked required documents; documentation for one managerial lump sum payment was not submitted to the Comptroller’s Office for review as required by Comptroller’s Directive #14; and there is no evidence that the District Attorney’s Office internally audits its payroll process.

Further, the District Attorney’s Office does not have written policies and procedures for purchasing and payments; improperly used miscellaneous vouchers; failed to issue purchase orders; and used incorrect object codes for 18 of the 80 payments we sampled. Lastly, the District Attorney’s Office did not maintain complete and accurate inventory records for all its equipment.

Audit Recommendations

Based on our findings, we make 11 recommendations, including the following:

District Attorney Officials should:

- Institute as a regular practice the review of salaries and their respective maximum salary levels under their titles when granting pay increases; it should transfer employees whose salaries are not within the ranges of their titles into other titles for which they qualify and that have job levels that encompass their current pay levels, or should appropriately adjust their salaries.
- Cease its practice of allowing employees early departure before holidays without charging their leave balances.
- Require that its employees provide medical documentation for sick leave used, in accordance with its office policies. Employees should be placed on sick leave restriction after five or more instances of undocumented sick leave within a “sick leave period.”
- Ensure that all required forms are received and retained in the employees’ personnel files.
- Comply with Comptroller’s Directive #14 and submit all non-ADA managerial lump sum payments to the Comptroller’s Bureau of Audit for pre-audit.
- Ensure that the payroll process is independently audited in accordance with Comptroller’s Directive #13.
- Comply with Comptroller’s Directive #24 and use miscellaneous vouchers only when applicable.

INTRODUCTION

Background

Under the New York State Constitution, District Attorneys are constitutional officers elected every four years. Under New York State County Law, the City's five District Attorneys protect the public by investigating and prosecuting criminal conduct in their respective counties and enforce the provisions of the penal law and other statutes. Their principal activities include preparing information and gathering resources for court hearings, and presenting trial and appeal cases in court.

During Fiscal Year 2004, PS expenditures for the Kings County District Attorney's Office amounted to \$49.9 million, and OTPS expenditures amounted to \$14 million. The adopted budget for Fiscal Year 2005 was \$51 million for PS expenditures and \$14.3 million for OTPS expenditures.

Objective

This audit was conducted to determine whether the District Attorney's Office is complying with City guidelines for payroll, personnel, timekeeping, purchasing, and inventory control.

Scope and Methodology

This audit covered the period July 1, 2003, through June 30, 2005. To obtain an understanding of the procedures and regulations with which the District Attorney's Office is required to comply, we reviewed relevant provisions of: Comptroller's Directives #1, "Principles of Internal Control"; #13, "Payroll Procedures"; #14, "Leave Balance Payments"; and #24, "Agency Purchasing Procedures and Controls"; Department of Citywide Administrative Services (DCAS) personnel rules and leave regulations; the District Attorney's employee manuals; and applicable Procurement Policy Board (PPB) rules.

In addition, we reviewed the Comptroller's *Audit on the Financial and Operating Practices of the Kings County District Attorney's Office* issued in December 1997 and the follow-up audit issued in August 2000. We interviewed staff at the District Attorney'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 Directives #13 and #14,
DCAS Personnel and Leave Regulations, and the District
Attorney's Office's Policies and Procedures**

To determine whether employees were bona fide City employees, we compared the PMS listing of employees to a list of employees that we obtained from the District Attorney's Office.

We reviewed attendance records of 85 employees—30 randomly selected ADAs who fill out monthly timesheets, and 55 non-ADAs, consisting of 30 randomly selected support staff who use the electronic swipe card system, 15 randomly selected staff who fill out weekly timesheets, and 10 managerial employees who fill out monthly timesheets—for the month of November 2004, to determine whether the District Attorney's Office maintains reliable and accurate time records. These 85 employees were selected from the 886 employees listed on the District Attorney's Office PMS Report as of December 31, 2004. The month of November 2004 was judgmentally selected in order to view a complete month prior to the end of the calendar year.

We examined the attendance records for completeness and evidence of supervisory review. We compared the attendance records to the PMS Paycycle Event Detail (700) Report to determine whether all reportable timekeeping transactions were accurately posted on PMS and reviewed compensatory time transactions and annual leave use for evidence of proper approvals and posting.

We determined whether the above-mentioned sampled 85 employees were accruing the correct amounts of annual leave for their years of service. We judgmentally sampled 34 employees who accrued compensatory time to determine whether compensatory time that was carried beyond the 120-day limit was transferred to sick leave. If such compensatory time was not transferred to sick leave, we determined whether the employee's attendance file contained documentation authorizing that the time be carried over. We also determined whether medical documentation, when required by regulations, appropriately supported sick leave use. Finally, we determined whether approved carryover authorizations were present for those employees who had excess annual leave balances (more than the amount that each employee earns in a two year period).

We selected a sample of 32 employees (the first eight from each of the four timekeeping categories) from the 85 sampled employees to determine whether personnel files existed for these individuals. We also reviewed these 32 personnel files to determine whether required documents, such as I-9 forms, fingerprint cards and drug free forms, were present in the files.

To determine whether separation payments were properly calculated for employees who left City service, we randomly selected 20 out of 208 employees who left between July 1, 2003, and December 31, 2004.

To determine whether employees were receiving salaries that were within the salary ranges of their civil service titles, we compared the salaries of all 534 non-ADA employees listed on PMS (ADAs excluded since there are no established salary ranges for them) to the minimum

and maximum salary amounts of their civil service titles specified in the City Career and Salary Plan.

The results of the above tests, while not projectable to all employee payments and attendance documentation processed during the audit period, provided a reasonable basis to assess the compliance of the District Attorney's Office with the rules and regulations cited above.

In addition, our EDP Unit evaluated the security and control of the C-Cure 800 electronic swipe card system that collects and maintains support staff timekeeping data. Our EDP Unit reviewed this system to determine whether it has adequate security and controls to ensure the reliability and integrity of the data.

Tests of Compliance with Applicable PPB Rules And Comptroller's Directive #24

We selected Fiscal Year 2005 for detailed testing since it represented the most recent year in our scope period. During that year, the District Attorney's Office issued a total of 2,931 payment vouchers totaling \$4.3 million (395 purchase vouchers and 2,536 miscellaneous vouchers). The 2,931 payment vouchers comprised 5,160 voucher line amounts.¹ We sorted the 5,160 voucher line amounts by dollar amount and excluded all line amounts below \$250. Of the remaining 1,582 voucher line amounts totaling \$3.5 million (82% of the total \$4.3 million), we randomly selected 80 voucher line amounts totaling \$195,273 (24 of which were paid with purchase vouchers and 56 of which were paid with miscellaneous vouchers). We examined each voucher line amount to determine whether: requisite approvals and authorizations were obtained; there was evidence that the transactions were for proper business purposes; vouchers were supported by adequate documentation; vouchers were properly coded; and sales and excise taxes were properly excluded. For the 24 purchase voucher line amounts, we also determined whether an authorized purchase order was on file and whether bids were obtained when required. With regard to the 56 miscellaneous voucher line payments, we determined whether the vouchers were issued for only allowable purposes.

The results of the above tests, while not projectable to all payment voucher line amounts processed during the audit period, provided a reasonable basis to assess the compliance of the District Attorney's Office with the applicable rules.

Tests of Inventory Records

We randomly selected 50 out of 414 major equipment items (including fax machines, printers, video cameras, and televisions) listed on the District Attorney's Office inventory records, and determined whether they were on hand at the District Attorney's Office. We also determined whether 20 other pieces of equipment that were on hand at the District Attorney's Office were listed on the inventory records. Finally, we determined whether all items examined were properly tagged as property of the District Attorney's Office. The results of the above tests, while not projectable to all major equipment items, provided a reasonable basis to assess District

¹ Vouchers can be made up of multiple line amounts.

Attorney's Office controls over inventory. We did not test the computer inventory listing because the District Attorney's Office was in the process of replacing all their computers.

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 District Attorney's Office officials during and at the conclusion of this audit. A preliminary draft report was sent to District Attorney's Office officials and discussed at an exit conference held on November 14, 2005. On November 18, 2005, we submitted a draft report to District Attorney's Office officials with a request for comments. We received a written response from District Attorney's Office officials on December 5, 2005. In their response, they agreed with the audit's recommendations.

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

FINDINGS AND RECOMMENDATIONS

The Kings County District Attorney's Office adhered to several aspects of Comptroller's Directive #13, #14, and #24. In this regard we found:

- Sampled employees were bona fide;
- Time and attendance were recorded for all employees;
- Timesheets were generally approved;
- Annual leave, sick leave, and compensatory time use were accurately recorded and deducted from PMS;
- Overtime and compensatory time were properly approved;
- Employee annual and sick leave were properly accrued based on employees' length of service;
- Separation payments were properly calculated for non-managerial employees who left the District Attorney's Office;
- There is an adequate segregation of duties in the payroll process;
- Undistributed paychecks were carefully controlled to insure that they were not misappropriated;
- Items purchased were necessary for District Attorney's Office operations;
- Sampled voucher line amounts and corresponding purchase orders were properly approved, and the amounts paid to vendors were accurately calculated;
- Sales tax was properly excluded from all payments;
- The voucher packages reviewed were stamped vouchered;
- Appropriate documentation to support each payment was maintained for the sampled vouchers.

We also found that the electronic card swipe system that collects and maintains the support staff timekeeping data possesses adequate controls, if used properly, to ensure complete, accurate, and reliable information.

However, the District Attorney’s Office had instances of noncompliance with regards to personnel, timekeeping, purchasing, and inventory that need to be addressed. These findings are discussed in detail in the following sections of this report.

Employees Not Paid within the Salary Ranges of Their Titles

The annual salaries of 178 of the 534 District Attorney’s Office non-ADA employees were not within the salary range of their Career and Salary Plan titles, as required by DCAS personnel rules. The salaries of these 178 employees exceeded the maximum pay rates for their titles by a total of \$1.4 million. Table I, following, lists the top 10 employees who exceeded the maximum pay rates for their titles.

Table I

Top Ten Employees Paid in Excess of the Salary Ranges of Their Titles

Employee	Title	Current Salary	Maximum Salary for Title	Difference
1	Principal Administrative Associate	\$115,608	\$62,842	\$52,766
2	Confidential Secretary	\$83,074	\$38,964	\$44,110
3	Community Associate	\$87,293	\$45,006	\$42,287
4	Principal Administrative Associate	\$99,406	\$62,842	\$36,564
5	Community Associate	\$77,838	\$45,006	\$32,832
6	Community Associate	\$76,806	\$45,006	\$31,800
7	Community Service Aide	\$52,355	\$24,881	\$27,474
8	Community Associate	\$70,546	\$45,006	\$25,540
9	Community Associate	\$69,819	\$45,006	\$24,813
10	Community Associate	\$69,379	\$45,006	\$24,373

The City Career and Salary Plan contains minimum and maximum pay rates for each job title. According to the Career and Salary Plan, “The purpose of this resolution is to provide fair and comparable pay for comparable work.” Thus, the minimum and the maximum pay rates are an integral part of the plan.

The *Follow-up Audit of the Financial and Operating Practices of the Kings County District Attorney’s Office* issued in August 2000 cited the payment of employees in excess of their title salary ranges. The audit recommended that the District Attorney’s Office transfer employees whose salaries exceeded their title limits into other titles that they qualified for and that had salary levels encompassing their current pay levels. The District Attorney’s Office responded, “We accept this recommendation and are attempting to implement it in an orderly fashion. We are presently reviewing the titles of the individuals concerned and are in the process of converting them to appropriate civil service titles.”

The District Attorney's Office may have reviewed the titles of the individuals concerned subsequent to the follow-up audit and may have converted them to appropriate civil service titles; however, given the recurrence of salaries exceeding the title limits, it is not reviewing titles as a regular practice when pay increases are given to ensure that the civil service title salaries are within the range for those titles.

Recommendation

1. The District Attorney should institute as a regular practice the review of salaries and their respective maximum salary levels under their titles when granting pay increases; it should transfer employees whose salaries are not within the ranges of their titles into other titles for which they qualify and that have job levels that encompass their current pay levels, or should appropriately adjust their salaries.

District Attorney's Office Response: "We have instituted a comprehensive review of the salary structure of this office. Our long-term goal is to regularize that structure so that managers and employees will have a better idea of the range of pay Assistant District Attorneys and staff may expect over the course of their employment. In addition, this office will review the Tasks and Standards of those employees whose salaries are not within the ranges of their current titles and take those actions necessary to conform with city-wide standards."

Improper Early Departure Before Holidays

The District Attorney's Office allows its non-ADA employees to leave work early the day before major holidays and the Friday before holiday weekends (including New Years, Christmas, Memorial Day, Labor Day, and Thanksgiving) without charging their accrued leave time. In Fiscal Year 2004, 30 out of 55 sampled non-ADA employees received a total of 151 of "other excused absences." For example, 19 of our sampled employees were allowed to leave the office early on November 24, 2004, the day before Thanksgiving. These employees were granted a total of 30 hours of "other excused absence" on this day.

These employees were not required to charge their leave balances. Office timekeepers recorded these early departures on the PMS system as "other excused absence." This had no effect on employee leave balances. We question these practices, since they do not comply with DCAS Personnel Rules and Leave Regulations. City workers must work a minimum work week consisting of at least 35 hours (some City workers have longer work weeks). If they work fewer hours than required, they must charge the unworked hours as annual leave, sick leave, or compensatory time use. As a result, these employees are receiving pay for hours not worked.

Recommendation

2. The District Attorney's Office should cease its practice of allowing employees early departure before holidays without charging their leave balances.

District Attorney's Office Response: "We will review this policy in order to determine how we may continue to permit early dismissals while properly charging employee leave balances."

Sick Leave Regulations Not Enforced

Five employees from our 55 sampled non-ADA employees had more than five instances of undocumented sick leave within a "sick leave" period, but were not placed on sick leave restriction as required.

The District Attorney's *Office Policies, Procedures and Rules of Conduct for Non-Legal and Non-Managerial Employees* states, "An employee who exceeds the allowable number of undocumented absences [five] in any 'sick leave period' shall thereafter, commencing with the next 'sick leave period' be required to submit medical documentation, satisfactory to the agency head, such documentation shall continue in effect until the employee has worked a complete 'sick leave period' without being on sick leave more than two times."²

We did not find any documentation in the five employees' personnel files to show that they had been placed on sick leave restriction or that they had been notified that medical documentation would be needed for any further sick leave. Had these employees been placed on sick leave restriction, they would have been required to provide medical documentation for each subsequent sick leave occurrence. This requirement would prevent an employee from abusing his or her sick leave time.

Recommendation

3. The District Attorney's Office should require that its employees provide medical documentation for sick leave used, in accordance with its office policies. Employees should be placed on sick leave restriction after five or more instances of undocumented sick leave within a "sick leave period."

District Attorney's Office Response: "We have instructed our timekeepers to review the sick leave balances for all of our employees and determine which employees should be placed on sick leave restriction. We will also conform this office's sick leave policy to the city-wide sick leave policy. Timekeepers will be trained in the city-wide policy and all staff will be apprised of the change."

Personnel Files Lacked Required Documents

We reviewed the personnel files of a sub-sample of 32 employees and found that files lacked required forms. Thirty of the 32 employees' personnel folders lacked at least one required document. One ADA employee's file lacked eight of 21 required documents.

² The calendar year is divided into two six month sick leave periods: January 1 to June 30 and July 1 to December 31.

The District Attorney's Office has a checklist of documents that are required to be present in the personnel files according to office titles. We met with the Director of Human Resources to discuss the checklist and identify which documents were required for all personnel, regardless of title. Among the required documents for all personnel files were: an appointment certificate, a personnel history card, an office application, a withholding tax form, a health insurance form, an information and verification document (I-9 form), a fingerprint card, and a drug-free form. (The United States Citizenship and Immigration Services instructs all U.S. employers to complete and retain an I-9 form for each individual they hire.)

The following were some of the documents not present in the 32 files reviewed:

- nine (28%) files did not contain an I-9 form
- six (19%) files did not contain fingerprint cards
- 12 (38%) files did not contain a drug-free form.

These are important documents and should be retained in the employees' personnel files. Without the necessary documents, the District Attorney's Office does not have documentation confirming that employees met all requirements to work for the City.

Recommendation

4. The District Attorney's Office should ensure that all required forms are received and retained in the employees' personnel files.

District Attorney's Office Response: "The personnel files of all current employees will be reviewed by March 31, 2006 to ensure that all files contain all of the required documentation. A check list has been devised to ensure that all the relevant documentation is included in new employees' files."

Managerial Lump Sum Payment after Separation Not Submitted to Comptroller's Office

We randomly selected a sample of 20 of the 208 employees who separated from City employment between July 1, 2003, and December 31, 2004, in order to review their separation payments. Separation payments were properly calculated for the 19 non-managerial employees in our sample. The remaining employee was a managerial employee who was issued a lump sum payment totaling \$23,697. The District Attorney's Office did not submit the necessary documentation for this payment to the Comptroller's Office for pre-audit as required by Comptroller's Directive #14. That directive states that lump sum payment documentation must be submitted to the Comptroller's Lump Sum Division for pre-audit and approval of the calculations.

In its 2004 annual filing of the internal control checklist under Comptroller's Directive #1, the District Attorney's Office answered the question of whether lump sum payments are

submitted to the Comptroller's Office by stating that such submissions are not applicable to that office. However, we disagree with this position; Directive #14 requires that all managerial lump sum payments be submitted to the Comptroller's Office for review. Pre-audits by the Comptroller's Office have disclosed substantial agency errors in managerial leave balance payment calculations. Therefore, it is important that the District Attorney's Office adheres to Comptroller's Directive #14 and submits non-ADA managerial lump sum payments to the Comptroller's Office for pre-audit.

Recommendation

5. The District Attorney's Office should comply with Comptroller's Directive #14 and submit all non-ADA managerial lump sum payments to the Comptroller's Bureau of Audit for pre-audit.

District Attorney's Office Response: "All non-Assistant District Attorney managerial lump sum payments will be submitted to the Comptroller's Bureau of Audit for pre-audit."

No Evidence That Payroll Process Is Internally Audited

Comptroller's Directive #13 states, "The agency's internal audit and review of the various elements of the payroll process is an integral part of the internal controls over this function." The directive further requires that "internal audits and reviews must be conducted on an ongoing basis by the internal agency audit staff or others who are independent of the audited function" and that "agency internal audit staff must review all aspects of the payroll process at least once a year."

At the beginning of our audit, we requested from the District Attorney's Office any prior external or internal audits or consultant reports. The District Attorney's Office did not provide us any audits or consultant reports on personnel, payroll, or timekeeping. Payroll audits can minimize the possibility of unauthorized, fraudulent, or otherwise improper wage and salary payments.

Recommendation

6. The District Attorney's Office should ensure that the payroll process is independently audited in accordance with Comptroller's Directive #13.

District Attorney's Office Response: "We will conduct at least one audit of the payroll process during the year in accordance with Section 9.0 of Comptroller's Directive 13. Section G of the 'Agency Evaluation of Internal Controls' checklist will be used as the basis of this internal audit."

Procurement Weaknesses

Lack of Written Policies and Procedures

We requested copies of the District Attorney's Office's written policies and procedures concerning purchases and payments. We were informed that there are no written procedures; therefore, we had to ascertain the procedures for the related purchasing and vouchering functions through numerous interviews with the staff who handle these functions.

Comptroller's Directive #1 states, "Internal controls should be documented in management administrative policies or operating manuals." Written procedures provide an organization with assurance that every employee involved in a process within the organization understands the tasks that are to be accomplished and the acceptable methods to be used when performing these tasks. They also provide an effective mechanism for training and evaluating the performance of staff and their duties. By failing to maintain written policies and procedures for the procurement process, the management of the District Attorney's Office cannot be certain that policies and procedures are properly communicated.

Recommendation

7. The District Attorney's Office should develop a comprehensive policies and procedures manual that addresses all internal processes and functions regarding procurement and distribute the manual to appropriate District Attorney's Office employees.

District Attorney's Office Response: "We have already begun a review of the policies and procedures pertaining to procurement. A new internal memorandum regarding these policies is in the early process of being compiled with a contemplated date of completion on or about January 31, 2006. We will submit the memorandum to the Comptroller for review prior to its final implementation."

Noncompliance with Comptroller's Directive #24

Improper Use of Miscellaneous Vouchers

The District Attorney's Office is improperly using miscellaneous vouchers. Of the 80 payment voucher line amounts that we sampled, 56 totaling \$101,049 were paid by miscellaneous vouchers. We reviewed these 56 voucher line amounts and determined that 26 (46%) totaling \$77,377 were incorrectly paid with miscellaneous vouchers. For example one of the voucher line amounts was for the purchase of expanding envelopes and totaled \$18,918. Other purchases included supplies, equipment, phone service and the leasing of copiers.

Comptroller's Directive #24 states, "Miscellaneous payment vouchers may be used only when estimated or actual future liability is not determinable, or a contract or a Purchase Document is not required or applicable." It further states that examples of inappropriate use of

miscellaneous vouchers are payments for the purchase of supplies, equipment, and phone service.

When miscellaneous vouchers are used, the purchase is not requisitioned in the City's Financial Management System (FMS) to pre-encumber funds from the budget. By not encumbering funds, the District Attorney's Office is circumventing budgetary controls and Comptroller's Directive #24. Directive #24 requires that a purchase document be entered in FMS before an order is placed with a vendor. It further states that requisitions entered in FMS make it possible to track estimated liabilities in order to ensure that the City's financial records reflect planned expenditures, provide cash control and accountability, and facilitate management of the City's financial resources.

Failure to Issue Purchase Orders

The District Attorney's Office is improperly purchasing goods and services by not issuing FMS purchase orders but rather using its own in-house purchase forms. These in-house purchase forms are not official City purchasing documents. During Fiscal Year 2005, the District Attorney's Office made 430 purchases—185 (43%) purchases using an FMS purchase order and 245 (57%) purchases using in-house purchase forms. The 245 purchases totaled \$1.1 million (39%) of total purchases.

District Attorney's Office officials stated that in-house purchase forms are used when funds are not available in FMS. They further stated that FMS purchase orders could not be generated for these purchases because most of the funds in the budget were already encumbered. Comptroller's Directive #24 states, "Before the agency places an order with a vendor, a Purchase Document or an FMS Contract Document must be entered in FMS."

In addition, since the funds were not pre-encumbered in FMS, all payments for the 245 in-house purchase orders had to be made using miscellaneous vouchers. Comptroller's Directive #24 further states, "Miscellaneous payment vouchers may be used only when estimated or actual future liability is not determinable." Since the District Attorney's Office used in-house purchase forms when initiating a purchase, it seems that the actual liability was in fact determinable.

We questioned District Attorney's Office officials about their extensive use of in-house purchasing forms and miscellaneous vouchers. They stated that they reduce existing FMS purchase orders in order to free up money to pay for these 245 purchases with miscellaneous vouchers. We believe this practice may be risky because it does not allow the City to determine the existing liabilities of the District Attorney's Office and creates the possibility the District Attorney's Office will exceed its budget.

Recommendations

The District Attorney's Office should:

8. Comply with Comptroller's Directive #24 and use miscellaneous vouchers only when applicable.

District Attorney's Office Response: "This office will fully comply with Directive #24."

9. Use FMS purchase orders when the estimated or actual liability of the purchase is determinable.

District Attorney's Office Response: "We have already instituted changes to our internal procedures which have greatly reduced the use of miscellaneous vouchers. We are studying ways to further comply with Directive #24 while maintaining the flexibility of operation our office requires in order to effectively investigate and prosecute crimes in Kings County. We are somewhat hampered in this area due to the chronic under funding of this agency's Other than Personal Services budget component which requires a great deal of manipulation of Purchase Orders in order to keep services operational."

Incorrect Object Codes

The District Attorney's Office used incorrect object codes for 18 (23%) of the 80 payments we sampled. For example, the District Attorney's Office purchased expanding envelopes, which are clearly supplies, and charged them to object code 460, Special Expenditures, rather than object code 100, General Supplies and Materials.

Comptroller's Directive #24 states, "Payment Voucher approvers must ensure that . . . the appropriate accounting and budget codes are being charged. This includes charging the . . . correct object code."

The use of incorrect object codes inhibits the District Attorney's Office from identifying the types and amounts of particular items purchased over the course of a fiscal year and distorts year-end reporting that identifies expenditure patterns. Such a distortion can compromise management's ability to properly plan future budgets.

Recommendation

10. The District Attorney's Office should carefully review the Chart of Accounts and charge purchases to object codes that accurately reflect the type of expenditure.

District Attorney's Office Response: "We are retraining the personnel responsible to coding expenses. It should be noted that this office orders several styles of expanding envelopes, some of which are made to special order and are, in our opinion, properly coded to object code 400."

Inventory Control Weaknesses

The District Attorney's Office did not maintain complete and accurate inventory records for all its equipment. From our sample of 50 items from the District Attorney's inventory list we found the following issues:

- Eight (16%) items could not be found, for example, a video monitor, a video cassette recorder, and a Polaroid camera;
- Six (12%) items were found in places other than those listed on the inventory list; and
- Two (4%) items were listed with incorrect identification tag numbers.

In addition, we selected a sample of 20 items on hand located throughout the District Attorney's Office. We attempted to find these items on the inventory list with the following results:

- Two (10%) items were tagged but not on the inventory list; and
- Four (20%) items were found in places other than stated on the inventory list.

Comptroller's Directive #1 states, "An agency must establish physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, computers and other equipment, which might be vulnerable to risk of loss or unauthorized use. Periodic counting and comparison to control records for such assets is an important element of control of these assets."

Recommendation

11. The District Attorney's Office should ensure that complete and accurate inventory records are maintained.

District Attorney's Office Response: "We have recently acquired a hand-held bar code reader in connection with our new computers. Over a three or four-month period, we will re-label all our inventory so that the bar-code reader can be used to collect data as to the location of each piece of physical inventory and download the data to a data base which will be used to track the inventory. This should make it possible for this office to maintain complete and accurate inventory records."



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CHARLES J. HYNES
District Attorney

MICHAEL A. PORETSKY, MBA, CGFM
Chief of Fiscal

December 5, 2005

Mr. Edward Carey
Acting Director for Management Audit
Office of the Comptroller
Bureau of Management Audit
1 Centre Street Room 1100N
New York, NY 10007-2341

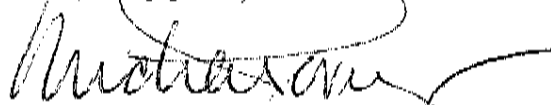
Dear Mr. Carey:

We make the following responses to the Comptrollers Recommendations contained in the Draft Audit:

1. We have instituted a comprehensive review of the salary structure of this office. Our long-term goal is to regularize that structure so that managers and employees will have a better idea of the range of pay Assistant District Attorneys and staff may expect over the course of their employment. In addition, this office will review the Tasks and Standards of those employees whose salaries are not with the ranges of their current titles and take those actions necessary to conform with city-wide standards.
2. We will review this policy in order to determine how we may continue to permit early dismissals while properly charging employee leave balances.
3. We have instructed our timekeepers to review the sick leave balances for all of our employees and determine which employees should be placed on sick leave restriction. We will also conform this office's sick leave policy to the city-wide sick leave policy. Timekeepers will be trained in the city-wide policy and all staff will be apprised of the change.
4. The personnel files of all current employees will be reviewed by March 31, 2006 to ensure that all files contain all of the required documentation. A check list has been devised to ensure that all the relevant documentation is included in new employees' files.
5. All non-Assistant District Attorney managerial lump sum payments will be submitted to the Comptroller's Bureau of Audit for pre-audit.

6. We will conduct at least one audit of the payroll process during the year in accordance with Section 9.0 of Comptroller's Directive 13. Section G of the "Agency Evaluation of Internal Controls" checklist will be used as the basis of this internal audit.
7. We have already begun a review of the policies and procedures pertaining to procurement. A new internal memorandum regarding these policies is in the early process of being compiled with a contemplated date of completion on or about January 31, 2006. We will submit the memorandum to the Comptroller for review prior to its final implementation.
8. This office will fully comply with Directive #24.
9. We have already instituted changes to our internal procedures which have greatly reduced the use of miscellaneous vouchers. We are studying ways to further comply with Directive #24 while maintaining the flexibility of operation our office requires in order to effectively investigate and prosecute crimes in Kings County. We are somewhat hampered in this area due to the chronic under funding of this agency's Other than Personal Services budget component which requires a great deal of manipulation of Purchase Orders in order to keep services operational.
10. We are retraining the personnel responsible to coding expenses. It should be noted that this office orders several styles of expanding envelopes, some of which are made to special order and are, in our opinion, properly coded to object code 400.
11. We have recently acquired a hand-held bar code reader in connection with our new computers. Over a three or four-month period, we will re-label all our inventory so that the bar-code reader can be used to collect data as to the location of each piece of physical inventory and download the data to a data base which will be used to track the inventory. This should make it possible for this office to maintain complete and accurate inventory records.

Very truly yours,



Michael A. Poretsky, MBA, CGFM
Chief of Fiscal