



City of New York

OFFICE OF THE COMPTROLLER

Scott M. Stringer
COMPTROLLER



FINANCIAL AUDIT

Marjorie Landa

Deputy Comptroller for Audit

Audit Report on the Brooklyn Borough
President's Office's Cash Controls over
Receipts from Minor Sales

FM15-073A

May 4, 2015

<http://comptroller.nyc.gov>



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, NY 10007

SCOTT M. STRINGER
COMPTROLLER

May 4, 2015

To the Residents of the City of New York:

My office has audited the Brooklyn Borough President's Office's (BBPO) Cash Controls over Receipts from Minor Sales. We audit City agencies such as the BBPO as a means of ensuring they operate efficiently and are accountable for resources and revenues in their charge.

The BBPO has a Topographical Bureau that, for a fee, supplies the public with street maps, grade studies, and certifications related to building and development, and issues new or alternative street addresses. The BBPO collected \$219,454 in revenue during Fiscal Year 2014.

The audit found that the BBPO complied with Comptroller's Directive #11, *Cash Accountability and Control* in most respects. The audit concluded that there was an adequate segregation of duties with the various cash handling processes. Except for two instances, the BBPO ensured that the cash receipt amounts agreed with the amounts deposited into the corresponding bank accounts and deposits were entered in to the City's Financial Management System. All checks received were made payable to the Department of Finance and a rubber stamp endorsement was placed on the back of all checks. The BBPO also maintained copies of bank deposit slips as well as pre-numbered customer receipts. The daily cash receipts were stored in the agency safe when the deposits could not be made.

However, the audit found that the BBPO needs to enhance its control procedures in three areas. Specifically, the BBPO accepts cash as payment for services provided, does not deposit receipts into the City's treasury on a daily basis, and does not perform a timely reconciliation between the bank deposit and the cash receipt tally sheet. As a result, we found two deposits during April 2014 where the total amounts of the funds deposited into the bank were each \$100 less than the amounts that were actually collected. The BBPO failed to discover one of the discrepancies for seven months. Upon discovery, it deposited \$100 in the bank to rectify the situation shortly after discovery. The second shortfall was not found until March 25, 2015, when it was pointed out by the auditors, eleven months after the deposit was made.

The results of the audit have been discussed with BBPO officials, and their comments have been considered in preparing this report. Their 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.

Sincerely,

A handwritten signature in blue ink, appearing to read "Scott M. Stringer".

Scott M. Stringer

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THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER FINANCIAL AUDIT

Audit Report on the Brooklyn Borough President's Office's Cash Controls over Receipts from Minor Sales

FM15-073A

AUDIT REPORT

Background

The Borough Presidents are the executive officials of each of New York City's five boroughs. The City Charter grants each Borough President, elected to a term of four years, the power to prepare and review budget proposals for the City Council; recommend capital projects; hold public hearings on matters of public interest; consult with the Mayor and the City Council on the preparation of the City's executive and capital budgets; review and recommend applications and proposals for the use, development or improvement of land within the borough; prepare environmental analyses required by law; provide technical assistance to the borough's community boards; monitor and make recommendations regarding the performance of contractual services in the borough; and propose legislation in the City Council.

The Brooklyn Borough President's Office (BBPO) has a Topographical Bureau that, for a fee, supplies the public with street maps, grade studies, and certifications related to building and development and issues new or alternative street addresses. The BBPO accepts cash, certified checks, and money orders as payment for these services. According to the City's Financial Management System, the BBPO deposited a total of \$219,454 in revenue generated by sales made by the Topographical Bureau during Fiscal Year 2014.

Objective

The objective of this audit was to determine whether the BBPO is in compliance with cash control procedures as set forth in Comptroller's Directive #11, *Cash Accountability and Control*.

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 BBPO's cash collections from July 1, 2013, to June 30, 2014 (Fiscal Year 2014). 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 BBPO officials during and at the conclusion of this audit. A preliminary draft report was sent to BBPO officials and discussed at an exit conference held on April 17, 2015. On April 20, 2015, we submitted a draft report to BBPO officials with a request for comments. We received a written response from BBPO officials on April 28, 2015.

In its response, the BBPO did not dispute the report's findings and recommendations and described steps they will take to "improve upon our current practices." The full text of their response is included as an addendum to this report.

FINDINGS

The BBPO generally complied with the cash control procedures set forth in the Comptroller's Directive #11 for its Topographical Unit sales. Our review found that the BBPO adequately segregates duties with the various cash handling processes and that, except for the instances discussed below, the cash receipt amounts for the two months sampled agreed with the amounts deposited in the bank account; the deposits were entered in the City's Financial Management System; all checks received were made payable to the BBPO; copies of bank deposit slips and customer receipts were maintained; customer receipts were pre-numbered; and the daily receipts were stored in the agency safe until the deposit was made.

However, the audit found that the BBPO needs to enhance its control procedures in three areas. Specifically, the BBPO accepts cash as payment for services provided, does not deposit receipts into the City's treasury on a daily basis, and does not perform a timely reconciliation between the bank deposit and the cash receipt tally sheet. As a result, we found two deposits during April 2014 where the total amounts of the funds deposited into the bank were each \$100 less than the amounts that was actually collected. The BBPO failed to discover one of the discrepancies for seven months. Upon discovery, it deposited \$100 in the bank to rectify the situation shortly after discovery. The second shortfall was not found until March 25, 2015, when it was pointed out by the auditors, eleven months after the deposit was made.

Acceptance of Cash

The BBPO accepts cash as a form of payment for services of the Topographical Bureau. This practice is inconsistent with Section 3.1 of Comptroller's Directive #11, which directs that "the acceptance of currency should be avoided whenever practical." Further, Section 3.0 of Comptroller's Directive #11 notes that "cash is the asset most susceptible to misappropriation and loss."

The BBPO could establish a policy not to accept cash and as other Borough Presidents' Topographical Units do, require residents to obtain a money order or certified check from one of the many banks located within a short walking distance. We note that there is a US Postal Service facility that issues money orders located directly across the street from the building where the BBPO is located.

Untimely Deposit of Funds

The BBPO does not deposit proceeds from the Topographical Bureau's sales into the City's Treasury in a timely manner as required by Section 3.4 of Comptroller's Directive #11, which states that, "[t]he inordinate accumulation of in-office cash receipts is not acceptable and, generally, all funds received must be deposited in the bank on at least a daily basis." The current BBPO procedure is to accumulate customer payments and deposit the receipts weekly, usually on Monday, rather than on a daily basis. Thus, the entire week's collections are held over the weekend in a safe, before being deposited. If Monday is a holiday, the deposit is further delayed until Tuesday. For the period of July 1, 2013 through June 30, 2014 the weekly deposit ranged from a low of \$803 to a high of \$15,403.

In our previous audit entitled "Audit Report on the Brooklyn Borough President's Office's Cash Controls over Transactions from the Topographical Bureau," Audit #MD11-140A issued on December 30, 2011, the BBPO responded that due to limited staffing, cash receipts cannot be

made on a daily basis, but are deposited on a weekly basis. The BBPO also stated that it established a dollar-value threshold of \$5,000 and “upon reaching this threshold an immediate bank deposit will be made.”

However, we found that the BBPO did not consistently adhere to the dollar threshold it established for daily deposits. During Fiscal Year 2014, there were seven instances where individual deposits exceeded \$5,000. We found only one instance where a deposit was made the same day that accumulated receipts exceeded \$5,000. We found one other instance where receipts exceeded \$5,000 and the deposit was made the next day. In the remaining five instances, the deposits were made after the weekend, despite having reached the \$5,000 threshold either on Thursday or Friday. In one of the five cases, the threshold was exceeded on Thursday, but the deposit was not made until the following Tuesday because Monday was a legal holiday.

Not only did the BBPO fail to ensure that deposits are made daily, it also did not abide by the dollar threshold it established for when an immediate deposit is required. By not complying with the Comptroller’s Directive requiring daily deposits, the BBPO’s funds become susceptible to misappropriation and loss.

Unaccounted for Cash

The BBPO did not properly account for cash collected. Our review of all four deposits made in the randomly selected month of April 2014 showed that the April 14, 2014 deposit of \$6,815 was missing \$100 and that the April 28, 2014 deposit of \$2,200 was also missing \$100. As noted above, according to Section 3.0 of Comptroller’s Directive #11, “cash is the asset most susceptible to misappropriation and loss.”

On December 1, 2014, the BBPO became aware that the April 14, 2014 deposit was missing \$100 and deposited \$100 to cover the shortage. According to BBPO officials, the \$100 was left in the safe for seven months because the BBPO did not identify the date of the weekly deposit that was short. However, the BBPO did not identify the other missing \$100, and as such, it remained unaccounted for until we brought this to BBPO’s officials’ attention on March 24, 2015 in connection with this audit. It should be noted that in both instances, the missing funds were from customer payments that were made in cash.

Finally, we found that the total amount deposited into the City’s treasury account for Fiscal Year 2014 was \$200 less than the Topographical Bureau recorded in sales. That shortfall is explained by the two shortages discussed above.

Untimely Reconciliations

Our review of the monthly reconciliations between the cash receipt tally sheet maintained by the Topographical Bureau and the deposits made by the BBPO’s Human Resources/Administration Unit (HR/A) found that many of the reconciliations were either not performed or were not performed timely. In fact, after performing our own reconciliation of the cash receipt tally sheets to the deposits receipts during April 2014, we found discrepancies in two of the four deposits made. According to BBPO staff, reconciliation for deposits made in April 2014 was performed in November 2014, seven months after the deposits were made. However, we subsequently received various emails indicating that the April 2014 reconciliation was actually performed on March 5, 2015, one day after our discussion of the issue with BBPO officials. According to Section 3.4.3 of Comptroller’s Directive #11, “All deposit receipts must be re-verified, at least weekly, against the daily cash receipt tally sheets.”

According to BBPO officials, the current reconciliation process consists of HR/A's Deputy Director sending an email stating the total amount deposited in a given month to TOPO's Office manager, who verifies this amount with the total amount of sales recorded on the cash receipt tally sheet for the month. If the figures are in agreement, the Office Manager sends a one-word reply, "agree" and the reconciliation process is complete. If the two units have differing figures, the reconciliation is done verbally over the phone or in person and no documentation as to the cause of the initial discrepancy or how it was rectified is generated.

Due to the problems with the timeliness of the reconciliation process and the number of discrepancies in relation to the total number of deposits we found in April (our sampled month), we extended the scope for revenue reconciliation testing through February 2015 (the end of field work). During this 20-month period (July 2013 through February 2015), reconciliations for 11 months were performed up to six weeks after the preceding month. For the nine remaining months, the BBPO did not provide any documentation that reconciliations were performed. It should be noted that after discussing our findings with BBPO staff, we received documentation indicating that reconciliations were performed in March 2015 for five of the nine missing months (April 2014, June 2014, July 2014, January 2015 and February 2015). Additionally, during the 20-month period reviewed, there were three instances, totaling \$292.50, in which the initial reconciliation did not agree and the subsequent resolution of the discrepancy was not documented. BBPO officials informed us these three instances were resolved verbally.

Non-compliance with the Comptroller's Directive requiring timely reconciliations can result in BBPO's funds being unaccounted for, as was discussed in the preceding section.

RECOMMENDATIONS

The BBPO should:

1. Discontinue accepting cash payment for the services provided by the Topographical Bureau.

BBPO Response: The BBPO agreed with this recommendation and represented that it will “[d]iscontinue accepting cash effective July 1, 2015, which is the beginning of the new fiscal year, with the exception of nominal fees.”

2. Ensure that funds collected are deposited daily in the bank.

BBPO Response: The BBPO agreed with this recommendation and represented that it will “[u]tiliz[e] new equipment, which will be provided by the NYC Department of Finance, all funds collected and deposited daily, with the exception of nominal fees, which will be deposited weekly.”

3. Review and reconcile all deposits before they are made.

BBPO Response: The BBPO agreed with this recommendation and represented that it will “[c]ontinue to review and reconcile deposits before they are made.”

4. Ensure that all deposit receipts are re-verified at least weekly, against the cash receipt tally sheets. These reconciliations should be reviewed by a supervisor outside of the Topographical Bureau.

BBPO Response: The BBPO agreed with this recommendation and represented that “[w]eekly reconciliations will be conducted by the Chief Administrative Officer and staff.”

5. Maintain documentation for all reconciliations conducted and how any discrepancies are rectified.

BBPO Response: The BBPO agreed with this recommendation and represented that “[a]n official binder has been established to maintain all documentation explaining discrepancies, i.e. voided receipts.”

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.

This audit covered the period July 1, 2013, through June 30, 2014. To gain an understanding of the cash control procedures and regulations that apply to the BBPO, we reviewed Comptroller's Directive #11, *Cash Accountability and Control*. We interviewed BBPO officials and staff to gain an understanding of the internal control process over cash receipts. We conducted a walk-through of the BBPO Topographical Bureau to familiarize ourselves with its operations. In addition, we conducted observations of the BBPO sales receipt process for fees collected by the Human Resources/Administration Unit. We observed that the checks received were made payable to the order of the City of New York or the BBPO and were rubber stamp-endorsed.

We randomly selected the month of April 2014 and reviewed all transactions, including 152 receipts, totaling \$20,272.50, to determine whether the processing of the receipts was in accordance with Comptroller's Directive #11. Based on the results of our review, we randomly selected an additional month, December 2013, which included 157 receipts, totaling \$25,441.60, to determine if the revenue collected was deposited and accounted for. We also examined all of the corresponding receipts to determine if they were pre-printed and in sequential order. We then traced all of the sales receipts amounts to the bank deposit slips to determine if amounts agreed with those deposited into the bank accounts. We examined all checks or money orders received to ensure that they were made payable to the order of the BBPO or the City of New York. We also reviewed whether all sales were properly recorded and all revenue collected was deposited the same or the following day to the Treasury Collection Account as required by Comptroller's Directive #11. We reviewed all seven deposits that exceeded the \$5,000 threshold during Fiscal Year 2014 to determine if the BBPO was following its own established guideline that mandated immediate deposit. Finally, we checked to see if the deposits were entered in to the City's Financial Management System.



OFFICE OF THE BROOKLYN BOROUGH PRESIDENT

April 28, 2015

Ms. Marjorie Landa
Deputy Comptroller for Audit
Office of the Comptroller
Municipal Building – 1 Centre Street, Rm. 1100
New York, New York 10007

Re: Audit Report on the Brooklyn Borough President Office's
Cash Controls over Receipts from Minor Sales – FM15-073A

Dear Deputy Comptroller Landa:

In response to the recommendations of our recent Cash Controls over Receipts audit, please be advised the Office of the Brooklyn Borough President will take the following steps to improve upon our current practices:

1. Discontinue accepting cash effective July 1, 2015, which is the beginning of the new fiscal year, with the exception of nominal fees.
2. Utilizing new equipment, which will be provided by the NYC Department of Finance, all funds collected and deposited daily, with the exception of nominal fees, which will be deposited weekly.
3. Continue to review and reconcile deposits before they are made.
4. Weekly reconciliations will be conducted by the Chief Administrative Officer and staff.
5. An official binder has been established to maintain all documentation explaining discrepancies, i.e. voided receipts.

It should be noted that the sample period of this audit was during a transition period and staff shortage.

Sincerely,

A handwritten signature in blue ink that reads 'Melody Ruiz'.

Melody Ruiz
Chief Administrative Officer

c: Eric L. Adams, Borough President
Ingrid P. Lewis-Martin, Senior Advisor to the Borough President