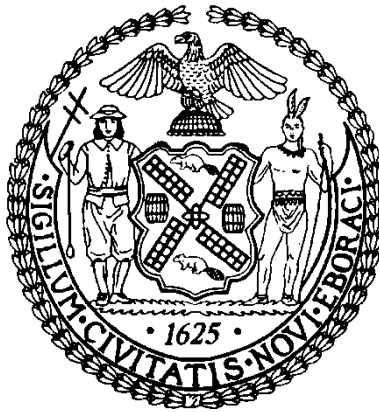


# **CITY OF NEW YORK OFFICE OF THE COMPTROLLER**

**John C. Liu  
COMPTROLLER**

## **MANAGEMENT AUDIT**

**H. Tina Kim  
Deputy Comptroller for Audit**



## **Audit Report on Department of Records and Information Services Procurement, Payroll, and Personnel Practices**

*MJ10-083A*

**September 27, 2010**



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

John C. Liu  
COMPTROLLER

September 27, 2010

**To the Residents of the City of New York:**

My office has audited the Department of Records and Information Services (DORIS) and its compliance with applicable Procurement Policy Board (PPB) Rules, Comptroller's Directives, and City Leave and Personnel regulations governing procurement, payroll, and personnel practices. We audit entities such as this as a means of ensuring that agencies comply with City rules and regulations.

The audit determined that DORIS's procurement, payroll, and personnel practices generally complied with key provisions of applicable City rules and regulations, including Comptroller's Directives, PPB rules, and City leave regulations. However, DORIS did not adequately monitor employees' excessive annual leave balances to ensure that they were appropriately addressed.

To address this weakness the audit recommended that DORIS should periodically review employee annual leave balances and ensure that employees submit plans to use excess leave time for approval or that waivers are granted allowing them to carry over excess annual leave time. If waivers are not granted, DORIS should ensure that employee excess annual leave is converted to sick leave.

The results of the audit have been discussed with DORIS 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 email my audit bureau at [audit@comptroller.nyc.gov](mailto:audit@comptroller.nyc.gov).

Sincerely,

A handwritten signature in dark ink, appearing to read "JCL", is written over the printed name "John C. Liu".

John C. Liu

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

**Audit Report on Department of  
Records and Information Services  
Procurement, Payroll, and Personnel Practices**

**MJ10-083A**

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**AUDIT REPORT IN BRIEF**

This audit determined whether the Department of Records and Information Services (DORIS) complied with applicable Procurement Policy Board (PPB) Rules, Comptroller's Directives, and City Leave and Personnel regulations governing procurement, payroll, and personnel practices.

DORIS was created by Local Law 49 of 1977, which consolidated under one agency the responsibility for the organization and retrieval of records, reports, and archival documents produced by past and present governments. During Fiscal Year 2009, DORIS expended \$5.9 million, consisting of \$2.9 million for Other Than Personal Service (OTPS) expenditures covering the procurement of supplies, materials, and services necessary to support agency operations and \$3.0 million for Personal Service (PS) costs. For Fiscal Year 2010, DORIS's adopted budget totaled \$5 million, consisting of \$2.9 million for OTPS costs and \$2.1 million for PS costs.

**Audit Finding and Conclusion**

The audit determined that DORIS's procurement, payroll, and personnel practices generally complied with key provisions of applicable City rules and regulations, including Comptroller's Directives, PPB rules, and City leave regulations. However, DORIS did not adequately monitor employees' excessive annual leave balances to ensure that they were appropriately addressed.

**Audit Recommendation**

To address this weakness the audit recommended that DORIS should periodically review employee annual leave balances and ensure that employees submit plans to use excess leave time for approval or that waivers are granted allowing them to carry over excess annual leave time. If waivers are not granted, DORIS should ensure that employee excess annual leave is converted to sick leave.

## INTRODUCTION

### **Background**

DORIS was created by Local Law 49 of 1977, which consolidated under one agency the responsibility for the organization and retrieval of records, reports, and archival documents produced by past and present governments.

DORIS's Municipal Archives division receives, preserves, and provides access to City documents, publications, and other materials having historical, research, and cultural significance to the City. The Municipal Records Management division develops and promulgates Citywide records management standards and procedures; establishes records retention and disposition policies; receives and maintains records that have continuing administrative, legal, and fiscal value to the City; and disposes of records that are no longer needed. The City Hall Library is the official repository for all City publications, reports, and studies published by City agencies, and the Grant Administration Unit administers grants for mayoral agencies and provides guidance in developing grant projects.

During Fiscal Year 2009, DORIS expended \$5.9 million,<sup>1</sup> consisting of \$2.9 million for OTPS expenditures covering the procurement of supplies, materials, and services necessary to support agency operations and \$3.0 million for PS costs.<sup>2</sup> For Fiscal Year 2010, DORIS's adopted budget totaled \$5 million, consisting of \$2.9 million for OTPS costs and \$2.1 million for PS costs.

In accordance with the City Charter, Administrative Code, and Rules of the City of New York, the Mayor, the Comptroller, and various oversight agencies have established rules and regulations to standardize administrative, financial, and management procedures across all City agencies. The City's PPB promulgates rules governing City procurement and contracts. The Comptroller's Internal Control and Accountability Directives (Comptroller's Directives) contain rules and regulations that cover a broad array of management issues, internal controls, and procedures important to the efficient and effective operation of City agencies. All City agencies and elected officials are expected to comply with these rules and regulations.

### **Objective**

The objective of this audit was to determine whether DORIS complies with applicable PPB Rules, Comptroller's Directives, and City Leave and Personnel regulations governing procurement, payroll, and personnel practices.

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<sup>1</sup> Exclusive of intra-city sales.

<sup>2</sup> According to the New York City Comptroller's *Comprehensive Annual Financial Report for Fiscal Year 2009*.

## **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 our audit was July 1, 2008, through May 17, 2010. To accomplish our objective we performed the following procedures.

### **Evaluation of Controls**

To gain an understanding of the internal controls over the procurement, payroll, and personnel functions, we reviewed DORIS's self-assessment of its internal controls covering calendar years 2008 and 2009, performed in compliance with New York City Comptroller's Directive #1 and submitted to the Comptroller's Office. We also reviewed DORIS's policies and procedures, interviewed Department officials and staff, conducted a walk-through of procurement, payroll, and personnel functions and reviewed organization charts and flow diagrams of transaction processes. We ascertained whether there was sufficient segregation of duties for related functions. We also reviewed DORIS's chart of accounts and budget (object) codes. Further, we reviewed a previous audit of DORIS conducted by the Comptroller's Office and noted findings and conditions in that audit that addressed matters relevant to this audit.<sup>3</sup>

We evaluated the adequacy of DORIS's policies and procedures for procurement, payroll, and personnel transactions and determined whether they generally conformed to provisions of applicable criteria, including:

- PPB rules §1-04, "Contract Information," §2-02, "Presolicitation Review," §3-08, "Small Purchases," and §4-06, "Prompt Payment";
- Comptroller's Directives #1, "Principles of Internal Controls," #13, "Payroll Procedures," and #24, "Purchasing Function—Internal Controls";
- Citywide Absence Control Program, dated September 1984;
- Citywide Agreement, 1995–2001, and the subsequent 2008-2010 Economic Agreement;
- Department of Citywide Administrative Services (DCAS) Personnel Rules and Regulations (Rules VI, "Personnel Changes," and VII, "General Personnel Administration");

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<sup>3</sup> Office of the New York City Comptroller, *Audit Report on the Small Procurement and Vouchering Practices of the Department of Records and Information Services* (#ME06-058A, issued June 26, 2006).

- DCAS Personnel Service Bulletins (PSBs) #430-1, “Leave Regulations for Full-time, Per Annum Employees,” and #430-2, “Leave Regulations for Other than Full-Time Per Annum Employee.

### **Sample Selection**

From the City’s Financial Management System (FMS) we obtained an electronic file detailing DORIS’s general fund procurement transactions and expenditures, totaling \$2 million for the period July 1, 2008, to October 15, 2009, exclusive of interagency payments of \$1.4 million. Using this file, we stratified transactions by vendor, dates, and amounts, and analyzed the results. We judgmentally selected for review 96 payment vouchers, representing \$677,811 (34%) of the total \$2 million in expenditures for all purchases processed during the period July 1, 2008, to October 15, 2009, exclusive of intra-city transfers. We targeted these payments based on the vendor (e.g., independent contractors), the goods or service provided, and payment amounts.

In addition, we judgmentally selected a sample of 15 (30%) of DORIS’s 51 employees based on employee title classification, salary levels, and job functions to test compliance with applicable payroll and personnel regulations.

### **Tests of Procurement Practices**

To determine whether DORIS complied with the applicable PPB rules and Comptroller’s Directives, we reviewed source documentation for the sampled procurement transactions. For the 96 sampled vouchers, we examined voucher packages and related supporting documentation to determine whether DORIS complied with the above stated audit criteria and to obtain reasonable assurance that:

- adequate documentation was maintained to support payments;
- required purchase documents were appropriately prepared, approved, and coded;
- goods or services were received as ordered;
- receiving documents matched the quantity and description of goods or services ordered and invoiced;
- payments were appropriately authorized, made promptly to the correct vendor in the proper amount, on the appropriate voucher, and charged to the proper fiscal year;
- sales and excise taxes were properly excluded from payments;
- pre-solicitation reviews were conducted and competitive bids were obtained when required;
- expenditures were for legitimate and necessary business purposes; and
- documentation was duly canceled (marked “vouchered” or “paid”) upon payment.

To determine whether there was evidence of purchase transactions being artificially split (divided) to avoid PPB requirements, we sorted DORIS's small purchases data by vendor and judgmentally selected vendors with multiple purchase transactions that exceeded \$5,000 in aggregate (a single purchase of more than \$5,000 requires competitive bidding). We then selected 17 vouchers and reviewed related voucher packages for expenditures of \$1,000 or more to determine whether a contract was in force and, if not, whether the purchases should have been treated as a single transaction.

Payments made to individuals for professional services were reviewed to ascertain whether there was a legitimate business need for the use of their services and whether Federal information returns (form 1099) for payments made to nonemployees were appropriately issued. Lastly, we reviewed DORIS's credit cards ("P-cards") issued to employees for their proper use and the presence of supporting documentation.

### **Tests of Payroll and Personnel Practices**

To determine whether DORIS paid its employees according to their civil service titles, we compared the current salaries of the 15 sampled employees to the authorized salary ranges for their title specifications.

To ensure that DORIS paid salaries only to actual and authorized employees, we obtained an attendance report for February 5, 2010. For the employees in attendance at DORIS's central office on that day, we compared the attendance report to the payroll roster to check whether those employees were reflected in the payroll. We also met with each of those employees, obtained samples of their signatures, and reviewed their City-issued picture identification cards. We ascertained whether the photo image and signature on the identification cards matched each of the individuals we met and the signature samples obtained.

We obtained a Payroll Management System (PMS) report of annual leave transactions for the judgmentally selected period of May 1–31 2009, and determined whether leave requests were submitted in a timely fashion, approved by supervisory personnel, and maintained on file for the 15 sampled employees.

In addition, we obtained reports of employees with (1) excessive undocumented sick leave usage, (2) annual leave balances exceeding the two-year limit of accruable leave time, and (3) earned compensatory time not used for 120 days or more of its being earned. For each of the employees reflected in these three reports, we determined whether DORIS took appropriate action in compliance with applicable payroll and personnel regulations.

The results of the above tests, while not projected to their respective populations, provided a reasonable basis for assessing DORIS's procurement, payroll, and personnel functions.

Our audit did not specifically evaluate the reliability and integrity of the computer-processed procurement data or payroll and personnel data that we obtained from the Citywide



FMS or PMS, respectively, since the City's external auditors review these systems as part of their annual audit of the City's financial statements.

### **Discussion of Audit Results**

The matters covered in this report were discussed with DORIS officials during and at the conclusion of this audit. A preliminary draft report was sent to DORIS officials and discussed at an exit conference held on August 19, 2010. On August 24, 2010, we submitted this draft report to DORIS officials with a request for comments. We received a written response from DORIS officials on September 9, 2010. In their response, DORIS officials agreed with the audit's findings and recommendation.

The full text of the DORIS response is included as an addendum to this report.

## **FINDINGS AND RECOMMENDATIONS**

This audit determined that DORIS's procurement, payroll, and personnel practices generally complied with key provisions of applicable City rules and regulations, including Comptroller's Directives, PPB rules, and City leave regulations. However, DORIS did not adequately monitor employees' excessive annual leave balances to ensure that they were appropriately addressed. These matters are discussed below.

### **DORIS Generally Complied with Applicable Rules and Regulations for Small Procurement**

Our review of sampled procurement transactions and related documentation provided reasonable assurance that DORIS generally complied with the requirements outlined in Comptroller's Directive #1, #3, #6, and #24, as well as PPB rules #2-02, #3-08, and #4-06. Our review of the judgmentally selected sample of purchases gave reasonable assurance that DORIS had adequate controls over its procurement transactions. The results of our tests showed that DORIS:

- Adequately segregated procurement tasks, including requisition, receipt of goods, recording, authorization, and payment responsibilities.
- Maintained adequate documentation to support payments.
- Appropriately prepared, approved, and coded purchase and payment documents.
- Received goods as ordered.
- Reviewed receiving documents and appropriately matched the quantity and description of goods or services ordered and invoiced.
- Appropriately authorized payment of goods and services, promptly paid vendors the proper amount, on the appropriate voucher, and charged the transactions to the proper fiscal year.
- Appropriately excluded sales and excise taxes from payments.
- Conducted pre-solicitation reviews and obtained competitive bids when required.
- Did not artificially split purchase transactions to avoid bidding requirements.
- Expended funds for goods and services for legitimate and necessary business purposes.
- Duly canceled (marked "vouchered" or "paid") voucher packages upon payment.
- Appropriately issued 1099s for individuals paid for professional services.

### **DORIS Generally Complied with Applicable Payroll and Personnel Rules and Regulations**

Our review provided reasonable assurance that DORIS generally complied with requirements outlined in Comptroller's Directive #1, #13, and DCAS Time, Leave, and Personnel rules, regulations, bulletins, and salary grade specifications.

Specifically, we found that employees were legitimate (no fictitious employees were detected) and paid in line with the salary ranges associated with their civil service class and status. Also, we noted that DORIS took appropriate action concerning employees with excessive undocumented sick leave. It took appropriate steps to caution and counsel employees in accordance with the Citywide Absence Control Program.

Further, while there were some weaknesses in the segregation of payroll and personnel functions, we determined that DORIS had adequate compensating controls and procedures in force to reasonably ensure that personnel and payroll transactions and modifications undergo additional layers of review and authorization.

However, as discussed below, we found that DORIS did not address excessive annual leave accrual.

### **Excessive Annual Leave Allowed to Accrue Beyond the Two-Year Limit**

City Leave regulations §2.3–§2.4 (for non-managerial employees) and §4.3 (for managerial employees) require that a waiver be obtained from agency heads to maintain leave balances in excess of what can be earned in two years. The regulations allow for an employee's leave balance to exceed the two-year accrual limit at any point during a year, so long as the total is reduced to the two-year limit by the following January 1<sup>st</sup> for managerial employees and May 1<sup>st</sup> for non-managerial employees. In the absence of those waivers, excess leave should be converted to sick leave.

It is the employee's responsibility to request permission to use annual leave in order to stay below the maximum accumulation permitted. However, leave requests must be approved in advance by supervisory personnel and are subject to the needs of the agency.

As of January 5, 2010, eight employees (three managers and five non-managers) had leave balances in excess of the two-year limit. The excess time for the three managerial employees totaled 754 hours (ranging from 35 hours to 359 hours). However, there were no approved leave requests or plans submitted by the employees to use the excess time, nor were there approved waivers allowing them to carry the excess leave time, therefore the leave time should have been converted to sick leave, as required.

We again reviewed the leave balances as of February 3, 2010, and found that there was no significant reduction. Although excess leave balances for non-managerial employees do not have to be reduced until May 1<sup>st</sup>, the five non-managerial employees had a total of 217 hours (ranging from 2 hours to 77 hours) in excess of the allowed two-year accrual limit, as of January 5, 2010.

Subsequent to discussing this matter with DORIS officials, they told us that they had addressed the matter. As of March 24, 2010, DORIS officials had obtained from the five non-managerial employees plans to use their excess leave balances and had approved waivers for the three managerial employees to carry their excess leave.

We recognize that DORIS acted promptly to address excess leave balances. However, it needs to ensure that leave balances are appropriately addressed going forward. When an employee leaves City service, in general, he or she is entitled to receive the value of unused, accrued annual leave either in a lump sum payment (for managers) or through weekly payments (for non-managers). Employee leave balances that are inappropriately allowed to accrue annual leave in excess of the two-year accrual limit could result in excessive costs incurred by the agency.

### **Recommendation**

1. DORIS should periodically review employee annual leave balances and ensure that employees submit plans to use excess leave time for approval or that waivers are granted allowing them to carry over excess annual leave time. If waivers are not granted, DORIS should ensure that employee excess annual leave is converted to sick leave.

***DORIS Response:*** DORIS agreed, stating: “DORIS will periodically review employee annual leave balances. We will ensure employees submit plans to use excess leave time for approval, or that waivers are granted allowing them to carry over excess annual leave time.”



New York City Department of Records and Information Service  
31 Chambers Street, Room 305  
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Eileen M. Flannelly, Acting Commissioner  
[eflannelly@records.nyc.gov](mailto:eflannelly@records.nyc.gov)

September 9, 2010

Honorable Tina Kim  
Deputy Comptroller for Audits  
NYC Office of the Comptroller  
One Centre Street  
New York, NY 10007-2341

**Re: Audit Report on the Department of Records and Information Services  
Procurement, Payroll and Personnel Practices – MJ10-083A**

Dear Deputy Comptroller Kim:

In response to your letter dated August 24, 2010, below please find our response to the recommendations along with the attached Audit Implementation Plan.

Our agency takes the findings of this audit very seriously and strives to meet above-standard Procurement, Payroll and Personnel Practices. Though your report proved favorable to our agency, you did note one area of weakness:

1. "DORIS did not adequately monitor employees' excessive annual leave balances to ensure that they were appropriately addressed."

In order to meet compliance with City Leave regulations §2.3-§2.4 (for non-managerial employees) and §4.3 (for managerial employees) requiring that a waiver be obtained from agency heads to maintain leave balances in excess of what can be earned in two years, the Department will take the following steps:

- DORIS will periodically review employee annual leave balances. We will ensure employees submit plans to use excess leave time for approval, or that waivers are granted allowing them to carry over excess annual leave time.
  - I. Non-Managerial employees will be instructed to submit their excessive annual leave usage plan by January 1<sup>st</sup>. Requests for waivers to carry over excess annual leave will have to be submitted for agency head approval no later than April 1<sup>st</sup>.

II. Managerial employees will be instructed to submit their excessive annual leave usage plan by August 1<sup>st</sup>. Requests for waivers to carry over excess annual leave will have to be submitted for agency head approval no later than November 1<sup>st</sup>.

- If waivers are not granted, DORIS will ensure that all employee excess annual leave is converted to sick leave.

I hope that we have adequately addressed any and all concerns of your office. I appreciate the professionalism in which this audit was conducted.

Should you have any questions, please call Director of Personnel Naomi Pacheco at 212-788-8622 or email her at [Napacheco@records.nyc.gov](mailto:Napacheco@records.nyc.gov)

Regards,



Eileen M. Flannelly  
Acting Commissioner

Cc: Lynn Elfers, Audit Manager  
Kenneth R. Cobb, Assistant Commissioner  
Barbara Filiberto, Budget Director