

AUDIT REPORT

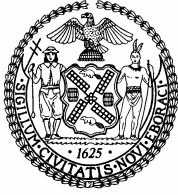


CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF MANAGEMENT AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

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

MG07-058A

June 6, 2007



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 payroll, personnel, purchasing, cash receipts, and inventory practices of the Staten Island Borough President's Office.

Some of the responsibilities of a Borough President are to prepare and review budget proposals; consult with the Mayor and the City Council on the preparation of the executive and capital budgets; provide technical assistance to the borough's community boards; and propose legislation to be introduced in the City Council. Audits such as this provide a means of ensuring that the Staten Island Borough President's Office and other city agencies comply with applicable payroll, personnel, purchasing, cash receipts, and inventory policies and procedures.

The results of our audit, which are presented in this report, have been discussed with officials from the Staten Island Borough President's Office, and their comments were considered in the preparation of 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: MG07-058A
Filed: June 6, 2007

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

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

MG07-058A

AUDIT REPORT IN BRIEF

The audit determined whether the Staten Island Borough President's Office is complying with applicable payroll, personnel, purchasing, cash receipts, and inventory policies and procedures.

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. For Fiscal Year 2006, the *Comprehensive Annual Financial Report* of the Comptroller reported that the Staten Island Borough President Office's (Borough President's Office) expenditures totaled \$3.97 million: \$3.15 million for Personal Service (PS) and \$866,001 for Other Than Personal Service (OTPS).

The Topographical Bureau of the Borough President's Office is responsible for maintaining various records, maps, surveys, topographical data, house and building street-number data, and other related material. For Fiscal Year 2006, the Borough President's Office collected \$175,100 in revenue from its Topographical Bureau fees.

Audit Findings and Conclusions

The Borough President's Office generally complied with applicable Comptroller's Directives, leave regulations for managerial and non-managerial employees, Procurement Policy Board (PPB) rules regarding payroll, personnel, purchasing, cash receipts (which are collected in the form of certified checks and money orders), and Department of Investigation (DOI) standards regarding inventory activities.

However, our audit disclosed minor weaknesses in the controls over cash receipts (which are collected in the form of certified checks and money orders) collected for Topographical Bureau fees, and in the manner the Borough President's Office recorded newly purchased items on the master inventory list. In addition, the Borough President's Office did not document authorizations for several employees to carry excess annual leave balances and evidenced slight weaknesses in the payroll distribution process. After advising the Borough President's Office of our findings, officials took appropriate action to correct some of those weaknesses.

Recommendations

To address these issues, we make six recommendations, namely, the Borough President's Office should:

- Require the Topographical Bureau staff to stamp all remittance checks with a restrictive endorsement stamp immediately upon receipt;
- Ensure that all cash receipts are deposited in a timely manner;
- Ensure that all items are properly recorded on the inventory master list and that the receiving documents contain the proper identifying numbers;
- Ensure that a properly approved relinquishment form is issued before discarding inventory items;
- Continue to ensure that its employees sign for their payroll stubs; and
- Ensure that leave balances are monitored and enforce City leave regulations for managerial and non-managerial employees.

Agency Response

In its response, the Borough President's Office agreed with the audit recommendations.

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. It is a Borough President's responsibility to: prepare and review budget proposals; recommend capital projects; hold public hearings on matters of public interest; consult with the Mayor and the City Council on the preparation of the executive and capital budgets; review and recommend applications and proposals for the use, development, or improvement of land in the borough; prepare environmental analysis 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 to be introduced in the City Council.

For Fiscal Year 2006, the Comprehensive Annual Financial Report of the Comptroller reported that the Staten Island Borough President Office's (Borough President's Office) expenditures totaled \$3.97 million: \$3.15 million for Personal Service (PS) and \$866,001 for Other Than Personal Service (OTPS). PS expenditures included the salaries of 59 employees. OTPS expenditures covered the purchases of supplies, materials, and services necessary to support agency operations.

The Topographical Bureau of the Borough President's Office is responsible for maintaining various records, maps, surveys, topographical data, house and building street-number data, and other related material. In July 2003, the Borough President's Office added a subchapter to Chapter 5 of Title 45 of the Rules of the City of New York allowing the collection of a \$100 fee for the issuance of a new street number for a house or building or to ascertain the correctness of a specific street number. For Fiscal Year 2006, the Borough President's Office collected \$175,100 in revenue from its Topographical Bureau fees.

Objective

The objective of this audit was to determine whether the Borough President's Office complies with applicable payroll, personnel, purchasing, cash receipts, and inventory policies and procedures as set forth by the agency, the New York City Comptroller's Internal Control and Accountability Directives, the New York City leave regulations for managerial and non-managerial employees, the PPB rules, and the DOI's Standards for Inventory Control and Management.

Scope and Methodology

The audit covered the period of Fiscal Year 2006. We interviewed the Director of Administration, the Agency Chief Contracting Officer, the Payroll Officer and the Personnel Officer to gain an understanding of the internal controls and processes over personnel, payroll, purchasing activities, and to determine how physical assets are safeguarded. To learn about the controls and procedures for the collection of cash receipts (which are collected in the form of certified checks and money orders) at the Topographical Bureau, we interviewed officials and conducted observations of this unit.

We gathered and reviewed relevant information from the Borough President's Office Web site, the Mayor's Management Report, and the Comprehensive Annual Financial Report of the Comptroller. To evaluate the internal controls, we reviewed various policies and procedures and Comptroller's Directives. The following sources were used as audit criteria:

- Comptroller's Directive #1, "Principal of Internal Control";
- The completed Comptroller's Directive #1 checklist for calendar year 2005, "Agency Evaluation of Internal Controls Directive #1";
- Comptroller's Directive #3, "Procedures for the Administration of Imprest Funds";
- Comptroller's Directive #11, "Cash Accountability and Control";
- 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";
- New York City leave regulations for managerial and non-managerial employees;
- PPB rules, Chapter 3, §3-08, "Small Purchases";
- DOI's *Standards for Inventory Control and Management*, July 1992.

We reviewed the Borough President's Office imprest fund expenditures for the months of April 2006 through June 2006. These three months were judgmentally selected as they represented the most recent transactions for our audit scope from which we could determine whether account transactions were handled appropriately. We reviewed supporting documents to determine whether the expenditures were permissible, properly approved, and within allowed amounts, and whether any duplicate payments were authorized. We examined all 49 canceled checks for the three-month period, totaling \$4,199, to determine whether checks had authorized signatures; were made payable to specified payees, not to "bearer" or "cash"; and were inscribed with "void after 90 days." We determined whether the account was reconciled on a monthly basis as required and whether the reimbursement checks were deposited in a timely manner.

During Fiscal Year 2006, the Borough President's Office issued 580 payment vouchers, totaling \$737,278. To assess the Borough President's Office purchasing practices, we randomly selected a sample of 50 of these vouchers totaling \$71,844 and determined whether all expenditures had supporting documentation (purchase orders and invoices), were properly approved and duly canceled upon payment, were valid and reasonable, and were charged to the correct object codes. We also ascertained whether any late fees or sales tax were incurred or paid. In addition, to determine the accuracy of the voucher amounts, we traced each voucher to the supporting purchase orders and invoices.

To determine whether the Borough President's Office followed proper procedures when entering into contracts for various services, we reviewed all contracts issued during Fiscal Year 2006. We examined 11 contracts for a total of \$169,200 (including 4 contracts from discretionary funds totaling \$80,380), checking whether proper approvals were obtained and bids were acquired when applicable. In addition, we determined whether contracts were required to be registered with the Comptroller's Office and whether a performance evaluation was performed on the appropriate vendors.

The Topographical Bureau maintains only manual files of issued street numbers for properties, not a computerized database. Bureau employees enter cash receipts into QuickBooks (accounting software). To determine whether the appropriate Topographical Bureau fees were collected when required, and whether they were deposited on a timely basis, we traced cash receipts to the QuickBooks data by randomly selecting 50 of the Topographical Bureau files for calendar years 2005 and 2006,¹ and examining applicable documents (applications, invoices, copies of checks, deposit slips, and QuickBooks reports).

To determine the adequacy of the controls of the Borough President's Office over its physical assets, we obtained a report of its master inventory list which contains capital items including furniture, electronics, computers, etc. We identified 230 electronic and computer assets (including desktop computers, laptops, printers, and television sets). Subsequently, we randomly selected 40 items for our sample. We conducted a walkthrough of the Borough President's Office to match equipment descriptions and location assignments with those on the inventory records. During our walkthrough, we also selected 10 other pieces of equipment that were on hand and traced them from their physical location to the inventory list. In addition, to determine whether recent acquisitions were properly recorded on the master inventory list, we reviewed the purchases from our sample of payment vouchers and imprest fund transactions, and identified and tested 23 purchases of items that should have been added to the master inventory list.

To review the personnel and payroll practices of the Borough President's Office, we obtained a printout of the City Payroll Management System (PMS) detailing payroll information—title, current salary, employment status—of all employees of the Borough President's Office for Fiscal Year 2006. We determined whether 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 to the minimum and maximum salary amounts of the employees' civil service titles included in the City Career and Salary Plan.

On November 30, 2006, we performed an observation of the payroll distribution for the largest unit (consisting of 15 employees) at the Borough President's Office. We determined whether employees were required to sign for their paychecks and for their direct-deposit earning statements (pay stubs). We also inspected employees' photo identification cards to assess their status as bona fide personnel.

We also obtained and reviewed a printout from PMS listing total leave balances for each employee as of October 2006. We determined whether carryover authorizations were documented and approved for those employees who had excess annual leave balances (more than the amount that each employee earns in a two-year period).

We did not evaluate the reliability and integrity of the Borough President's Office computer-processed data, since all payroll and purchasing functions are processed through PMS and the City Financial Management System. These systems are reviewed by the City's external auditors as part of their annual audit of the City's financial statements.

¹ Topographical files consist of manual records organized by street name and contain multiple years of documents; therefore we expanded our scope for this test to calendar years 2005 and 2006 in order to facilitate sample selection.

The results of the above tests, while not projectable to their respective populations, provided us a reasonable basis to assess the adequacy of the Borough President's Office compliance with applicable City rules and regulations in accordance with our audit objectives.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of the records and other audit 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 officials of the Borough President's Office during and at the conclusion of this audit. A preliminary draft report was sent to officials of the Borough President's Office on February 21, 2007 and discussed at an exit conference held on March 6, 2007. On March 16, 2007, we submitted a draft report to Borough President's Office officials with a request for comments. We received a written response from the Staten Island Borough President on March 30, 2007. In his response the Borough President stated: "I have reviewed and analyzed the conclusion and recommendations contained in your draft report and wish to advise you that steps have been taken by my office to address the minor weaknesses discovered..." The Borough President's Office agreed with all six audit recommendations. The full text of the Borough President's Office response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

The Borough President's Office generally complied with applicable Comptroller's Directives, leave regulations for managerial and non-managerial employees, PPB rules regarding payroll, personnel, purchasing, cash receipts, and DOI standards regarding inventory activities.

Specifically, we determined that the Borough President's Office ensured that purchases were: legitimate and necessary for its operations, properly accounted for, authorized, and charged to the proper object codes. Additionally, purchases made using the imprest fund had proper approvals and adequate supporting documentation, were within the allowed amounts, and checks were drawn to specific parties. The imprest fund account was properly reconciled monthly and reimbursement checks were deposited in a timely manner.

The Borough President's Office followed adequate procedures when entering into contracts, including those using discretionary funds. Proper approvals were obtained, and bids were acquired when applicable. Further, we ascertained that adequate vendor evaluations were performed.

In addition, our review of personnel practices revealed that employees receiving paychecks were bona fide and that employee salaries were within the salary ranges of their civil service titles.

However, our audit disclosed minor weaknesses in the controls over cash receipts collected for Topographical Bureau fees, and in the manner the Borough President's Office recorded newly purchased items on the master inventory list. In addition, the Borough President's Office did not document authorizations for several employees to carry excess annual leave balances and evidenced slight weaknesses in the payroll distribution process. After advising the Borough President's Office of our findings, officials took appropriate action to correct some of those weaknesses. The conditions were not of sufficient materiality to detract from our overall opinion. Nonetheless, the details of the findings are discussed in the remaining sections of this report.

The Topographical Bureau Should Improve Controls over Cash Receipts

The Topographical Bureau did not restrictively endorse checks upon receipt or make bank deposits in a timely basis. When an applicant submits an application with a remittance check to a clerk in the Topographical Bureau, the clerk enters the payment in QuickBooks. The clerk then generates an invoice, stamps the application as paid, and places the check and a copy of the invoice in a safe. The Contracts and Procurement Unit collects the cash receipts from the safe weekly, stamps the checks with the restrictive endorsement, prepares the bank deposit, and deposits the funds. Comptroller's Directives #1 and #11 require that all checks and money orders be restrictively endorsed, generally as they are received. Not endorsing checks immediately upon receipt increases the likelihood that the checks will be misappropriated.

We noted that on occasion, the person at the Contract and Procurement Unit in charge of making the bank deposits did not make the weekly deposit on time. Regarding cash deposits,

Comptroller's Directive #11 states, "The accumulation of cash [i.e., currency, checks, and money orders] is not permitted." Our random sample of 50 manual records contained 30 cash receipts. Of these, three cash receipts (10%) were held for a range of six and 10 business days from the date of receipt to the date they were actually deposited. The reason for this delay is that the person responsible for making the deposits was on vacation. Cash in any form is highly susceptible to theft and misappropriation.

The failure of the Borough President's Office to endorse checks upon receipt combined with its failure to ensure timely deposits of cash receipts allowing cash receipts to accumulate increases the risk that checks or money orders could be lost or misappropriated.

Recommendations

The Borough President's Office should:

1. Require the Topographical Bureau staff to stamp all remittance checks with a restrictive endorsement stamp immediately upon receipt.
2. Ensure that all cash receipts are deposited in a timely manner.

Borough President's Office Response: The Borough President agreed, stating: "...the Topographical Bureau will continue to accept fees for house numbers only in the form of certified check, bank check, or money order. Those instruments shall be endorsed upon receipt... I have directed that the Contracts and Procurement Unit shall collect the proceeds at least every other day and timely deposit the received funds immediately thereafter."

Tracking and Safeguarding of Physical Assets Should Be Improved

The Borough President's Office has minor weaknesses in the safeguarding of its physical assets and the maintenance of its inventory records. Specifically, newly purchased items were not properly and promptly recorded on the master inventory list, and physical assets were discarded without adequate documentation.

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." In addition, DOI's *Standards for Inventory Control and Management*, Standard No. 28, states that "readable sturdy property identification tags (reading 'Property of the City of New York') with a sequential internal control number are assigned and affixed to valuable items." Further, the standard states that a central inventory record should be maintained, contain the internal control number tag assignments, and be updated to account for reassignment of goods."

Our review of the 23 items purchased during our scope period that should have been recorded on the master inventory list revealed that:

- 15 items were recorded on the master inventory list. However, insufficient inventory information on the purchase orders and invoices (i.e., serial numbers or Borough President's Office ID numbers) and the lack of a receiving report made it difficult or problematic to identify the items clearly and easily.
- Eight items were not recorded on the master inventory list. With the assistance of Borough President's Office employees, we found seven of these items. None of these items had tags identifying them as property of the Borough President's Office. Officials informed us that the remaining item (a laptop computer) was assigned to an employee that was out on family leave.

In addition, of our 40 sampled items from the master inventory list two items (both printers) were missing. Officials at the Borough President's office stated that these items were erroneously discarded before a properly approved "relinquishment" form was issued. Therefore, these items remained on the inventory list after they were discarded. The Department of Investigation's (DOI's) Standards for Inventory Control and Management, Standard No. 9, states, "The type, condition and quantity of all items presented for relinquishment is recorded in accordance with city-wide requirements. Relinquished items are deleted from the inventory log." Failure to ensure proper documentation is completed before physical assets are discarded increases the risk that misappropriation or theft may occur and go undetected.

Recommendations

The Borough President's Office should:

3. Ensure that all items are properly recorded on the inventory master list and that the receiving documents contain the proper identifying numbers.

Borough President's Office Response: The Borough President agreed, stating that "revised procedures shall ensure that items ordered are ultimately received and included on the master inventory list and that such items can then be cross-referenced with their respective purchase order."

4. Ensure that a properly approved relinquishment form is issued before discarding inventory items.

Borough President's Office Response: The Borough President agreed, stating that a "revised procedure shall ensure that a paper trail for relinquished items is maintained and that no item will be relinquished in the future without the proper recordation in the records of the master inventory list and the relinquishment officer's records."

The Borough President's Office Does Not Require Its Employees to Sign for Direct-Deposit Earning Statements

In their response to the checklist "Agency Evaluation of Internal Controls Directive #1", §G.5d, the Borough President's Office affirmed that its employees are required "to sign for their paychecks or payroll stubs for those receiving direct deposit." However, during our interviews and payroll distribution observation, we determined that the Borough President's Office did not require its employees to sign for receipt of their payroll stubs. While the Borough President's Office follows proper procedures for distributing paychecks, requiring employees to sign for their payroll stubs ensures that only the employee concerned receives the sensitive information contained on the payroll stub.

During the course of our audit and after a discussion of this finding with Borough President's Office officials, they took appropriate action to correct this weakness. We received a memorandum stating: "A system of having individuals sign for their pay stubs as well as for their pay checks has been derived and shall be implemented as of January 12, 2007 pay date."

Recommendation:

The Borough President's Office should:

5. Continue to ensure that its employees sign for their payroll stubs.

Borough President's Office Response: The Borough President agreed, stating: "In response to your audit recommendation my office had previously altered its procedures to provide that payroll stubs for those employees receiving direct deposit of their paychecks shall have their pay stubs distributed by the payroll officer and signed for by the recipient."

Employees Permitted to Carry Excess Annual Leave Balances

The Borough President's Office did not document authorizations for employees to carry excess annual leave balances. Our review of total leave balances revealed that 10 employees carried excess annual leave balances for 59 hours on average (ranging from 12 to 163 hours). According to the City leave regulations for managerial and non-managerial employees, personnel must not carry an annual leave balance greater than the amount that each employee earns in a two-year period. Any excess annual leave balance should be added to the employees' sick leave balances, unless the agency head authorizes in writing to carry the excess annual leave forward.

During the course of our audit, the Borough President's Office took steps to enforce City leave regulations regarding excess annual leave and notified its employees that excess annual leave balances will be converted into sick leave to conform with City leave regulations.

Recommendation:

The Borough President's Office should:

6. Ensure that leave balances are monitored and enforce City leave regulations for managerial and non-managerial employees.

Borough President's Office Response: The Borough President agreed, stating: "...I have instituted a new policy wherein no excessive leave balances will be carried over for any employees of the office. In addition, leave balances will be examined and adjusted, pursuant to City guidelines, each January for managerial employees and each April for non-managerial employees."

CITY OF NEW YORK
PRESIDENT
OF THE
BOROUGH OF STATEN ISLAND

ADDENDUM
Page 1 of 3



JAMES F. MOLINARO
PRESIDENT

BOROUGH HALL, STATEN ISLAND, N. Y. 10301

March 29, 2007

Honorable John Graham
Deputy Comptroller
City of New York, Office of the Comptroller
1 Centre Street
New York, New York 10007

Re: Audit Report on the Financial and Operating Practices
of the Staten Island Borough President's Office - MG07-058A

Dear Deputy Comptroller Graham:

I am in receipt of your draft report in the above noted matter and have reviewed same with the appropriate members of my staff. First, I wish to thank you and your staff for your professionalism and your attention in making the audit process a quick and painless experience for myself and my staff. Your attention to detail, professional manner and prompt action in undertaking and completing the audit in a timely manner is greatly appreciated.

I have reviewed and analyzed the conclusion and recommendations contained in your draft report and wish to advise you that steps have been taken by my office to address the minor weaknesses discovered in the handling of topographical fees, the recording of inventory items, the dispersal of direct deposit pay stubs, and the documentation in leave balances for employees. The steps we have taken are specified below:

1. Handling of fees collected by the Topographical Office.

In response to the conclusions and recommendations of the Comptroller's Office, the Topographic Bureau will continue to accept fees for house numbers only in the form of certified check, bank check, or money order. Those instruments shall be endorsed upon receipt by the Topographical office with the following restrictive endorsement:

FOR DEPOSIT ONLY TO THE ACCOUNT OF
NYC Department of Finance
Office of the Staten Island Borough President
JP Morgan Chase Bank
xxx-xxxx-xxxx-xx-xxxxxxxxxx
Revenue Source Code: xxx-xxxx-xxxx

After the receipt and recordation of the instruments, the fees collected shall continue to be immediately placed in the safe. I have directed that the Contracts and Procurement Unit shall collect the proceeds at least every other day and timely deposit the received funds immediately thereafter.

The revised procedures for the use of a restrictive endorsement upon receipt of the certified check, bank check, or money order and the new procedures for timely depositing the funds collected address the first two recommendations contained in your draft report.

As our Topographical Office only collects fees on business days Monday through Thursday, and as there are only a small number of fees collected throughout the year, the above described system should well meet the practical application of the City's requirements for the prompt deposit of fees collected.

2. Recording of items on the Office's Master Inventory.

After reviewing the procedures for the ordering and receipt of items by my office, I have directed that the following procedures be adopted. All ordering of property by the Office of the Staten Island Borough President shall be centrally administered. The requests for purchase and the ordering documents shall receive a code number for the purchase which shall be cross-referenced with the item. All property received by the office shall be delivered to a central location wherein the item shall be logged on the master inventory list and cross-referenced with the purchase order. The master inventory list shall also contain a column for a purchase order code number to be listed for all new items included on the master inventory list.

These revised procedures shall ensure that items ordered are ultimately received and included on the master inventory list and that such items can then be cross-referenced with their respective purchase order.

In response to the recommendation regarding property relinquishment, a revised procedure has been adopted wherein the manager detailed with property relinquishment will forward a copy of the relinquishment form to the person charged with maintaining the master inventory list. The relinquishment form shall be initialed by the master inventory list keeper and a notation shall be made to the master inventory list removing the relinquished property and cross-referencing the relinquishment form. The copy of the relinquishment form shall

be retained by the keeper of the master inventory list and an initialed and cross-referenced copy of the relinquishment form shall be returned to the manager charged with relinquishment for retention by that office as well. This revised procedure shall ensure that a paper trail for relinquished items is maintained and that no item will be relinquished in the future without the proper recordation in the records of the master inventory list and the relinquishment officer's records.

3. Payroll Distribution.

In response to your audit recommendation my office had previously altered its procedures to provide that payroll stubs for those employees receiving direct deposit of their paychecks shall have their pay stubs distributed by the payroll officer and signed for by the recipient. My office shall continue in its previous procedure of having the Payroll Officer distribute the actual paychecks and require the employees who receive an actual paycheck to continue to sign for their check and stub.

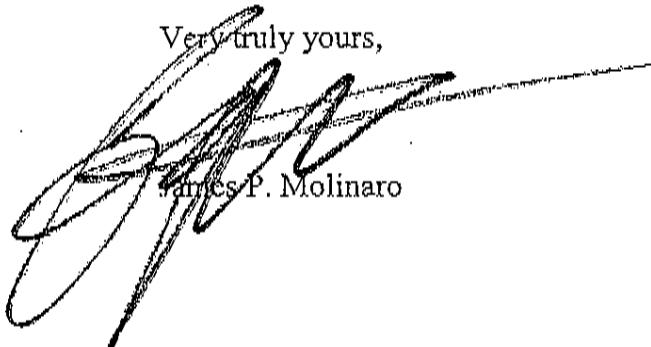
4. Annual Leave Balances.

In response to your audit recommendations regarding the carrying of annual leave balances and the need for further documentation, I have instituted a new policy wherein no excessive leave balances will be carried over for any employees of the office. In addition, leave balances will be examined and adjusted, pursuant to City guidelines, each January for managerial employees and each April for non-managerial employees.

I believe that this addresses all issues raised in your audit report and provides the necessary information regarding our agency implementation plans and the incorporation of your recommendations.

Once again thank you for your assistance in helping to pinpoint and rectify the issues raised and for your prompt resolution of this audit.

Very truly yours,



James P. Molinaro

JPM:jwz
By Telephone Facsimile 212.815.8631
& First Class Mail