

# AUDIT REPORT



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

## **Audit Report on the Cash Controls At the New York City Clerk's Manhattan Office**

*MD08-073A*

**June 23, 2008**



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 compliance of the City Clerk's Manhattan Office with Comptroller's Directive #11, Cash Accountability and Control.

The City Clerk's operations, like those of all other City agencies, must comply with Comptroller's Directive #11, which provides guidance for the internal control and accountability for cash and defines cash as currency, coin, checks, money orders, and electronic fund transfers. Audits such as this provides a means of ensuring that City agencies adequately safeguard cash receipts and are accountable for public funds.

The results of our audit, which are presented in this report, have been discussed with City Clerk Office officials, and their comments have been considered in preparing 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](mailto:audit@comptroller.nyc.gov) or telephone my office at 212-669-3747.

Very truly yours,

  
William C. Thompson, Jr.

WCT/ec

**Report: MD08-073A**  
**Filed: June 23, 2008**

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

**Audit Report on the Cash Controls at the  
New York City Clerk's Manhattan Office**

**MD08-073A**

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**AUDIT REPORT IN BRIEF**

The audit determined whether the City Clerk's Manhattan Office is in compliance with Comptroller's Directive #11, "Cash Accountability and Control." The City Clerk is appointed by the City Council and serves as both the Clerk of the City of New York and the Clerk of the City Council.

The City Clerk maintains two separate bureaus under its jurisdiction: the Marriage Bureau and the Lobbying Bureau. The Marriage Bureau provides marriage licenses, domestic partnership registration, civil marriage ceremonies, registration of marriage officiates, copies and amendments of marriage records, and certificates of non-impediment. The Lobbying Bureau is responsible for the enforcement of the City's lobbying law, including the registration of lobbyists and the receipt and audit of periodic reports from lobbyists on their lobbying activities. The City Clerk charges the public various fees for these services. The City Clerk's operations, like those of all other City agencies, must comply with Comptroller's Directive #11, which provides guidance for the internal control and accountability for cash.

The City Clerk's largest office is in Manhattan, which processes all mail requests, including requests forwarded by the other borough offices, for certified copies of marriage certificates. In Fiscal Year 2007, the City Clerk's Manhattan Office (Manhattan Office) collected revenues of \$2.7 million, approximately 55 percent of the total revenue collected by all five borough offices.

**Audit Findings and Conclusions**

The Manhattan Office generally adheres to the guidelines for internal controls over cash receipts established by Comptroller's Directive #11. The audit determined that the Manhattan Office accepts as payment only money orders and certified checks from the public and company checks from the lobbyists. The Manhattan Office also issues computer-generated, sequentially-numbered receipts, makes daily deposits, requires two signatures for the issuance of refund checks, and performs monthly bank reconciliations. In addition, the deposits are reconciled to the amounts recorded in the City Financial Management System (FMS).

The audit also identified some internal control weaknesses; however, these weaknesses were not material enough to detract from our overall conclusion. They included the following: inadequate controls over blank certificates and marriage licenses, lack of reconciliation of fees collected with fees deposited, ability of employees to override their own transactions, and inadequate controls over the issuance of refund checks.

### **Audit Recommendations**

Based on our findings, we make nine recommendations, five of which are listed below. The City Clerk's Office should:

- Ensure that a proper inventory system is maintained to track blank certificates and marriage licenses.
- Develop a daily reconciliation to track the pre-printed numbers of the certificates and marriage licenses to ensure that all issued and voided documents can be accounted for since the Marriage License Bureau (MLB) system does not have the capability to record this information.
- Issue a written procedure requiring that the daily computer report be reconciled with the daily cash receipts before the cash is deposited in the bank. In addition, all discrepancies found during the reconciliation should have a written explanation and be approved by a supervisor.
- Limit the transaction override function to one or two supervisors within each unit and should not allow individuals to override their own transactions. In addition, it should modify the MLB system so that overrides are not needed for regularly performed transactions.
- Develop a log to record and track refunds to ensure that only authorized refund checks are processed and that all required refund checks are issued to the public. This log should include all necessary information to allow the transaction to be traced to the MLB system for verification.

### **City Clerk's Office Response**

In its response, City Clerk's Office officials generally agreed with the audit's findings and recommendations.

## INTRODUCTION

### Background

The City Clerk is appointed by the City Council and serves as both the Clerk of the City of New York and the Clerk of the City Council. The City Clerk attests to leases and deeds of City property, grants, agreements, bonds, tax notes, and other obligations of the City. The City Clerk also qualifies all Commissioners of Deeds and certifies to the Board of Elections all judicial vacancies, is the Custodian of the City Seal, and has charge of the oaths of office for all City employees. As Clerk of the City Council, the Clerk attests to all laws enacted by the City Council and is responsible for keeping transcripts of City Council proceedings.

The City Clerk maintains two separate bureaus under its jurisdiction: the Marriage Bureau and the Lobbying Bureau. The Marriage Bureau provides marriage licenses, domestic partnership registration, civil marriage ceremonies, registration of marriage officiates, copies and amendments of marriage records, and certificates of non-impediment. The Lobbying Bureau is responsible for the enforcement of the City's lobbying law, including the registration of lobbyists and the receipt and audit of periodic reports from lobbyists on their lobbying activities. The City Clerk charges the public various fees for these services, including: \$35 for a marriage license, \$25 for a marriage ceremony, \$36 for registering a domestic partnership, and \$150 for the initial lobbyist registration. In Fiscal Year 2007, the five borough offices of the City Clerk had total revenues of \$4.9 million and expenses of \$3.6 million, thereby generating a net total of \$1.3 million for the City.

The City Clerk's operations, like those of all other City agencies, must comply with Comptroller's Directive #11, "Cash Accountability and Control." Directive #11 provides guidance for the internal control and accountability for cash and defines cash as currency, coin, checks, money orders, and electronic fund transfers. According to the directive, cash is the asset most susceptible to misappropriation, and agencies must exercise the utmost care when handling cash and accounting for transactions that involve cash.

The City Clerk's largest office is in Manhattan, which processes all mail requests, including requests forwarded by the other borough offices, for certified copies of marriage certificates. In Fiscal Year 2007, the City Clerk's Manhattan Office (Manhattan Office) collected revenues of \$2.7 million, approximately 55 percent of the total revenue collected by all five borough offices. The offices generally accept only money orders and certified checks as payment for services, but do accept company checks for lobbyist registrations. The Manhattan Office has four different units that collect cash: Cashier's Unit, Lobbyist Unit, Commissioner of Deeds and Oath of Office Unit, and the Records Room. In addition, the Manhattan Office issues refund checks to the public when there is an overpayment<sup>1</sup> of fees.

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<sup>1</sup> An overpayment can occur in two circumstances—(1) when an applicant presents a money order for an amount greater than the applicable fee or (2) when a certificate is not found during a record search, in which case the applicant is charged only a search fee and the amount paid for a certificate would be returned.

## **Objective**

The objective of this audit was to determine whether the City Clerk's Manhattan Office is in compliance with Comptroller's Directive #11, Cash Accountability and Control.

## **Scope and Methodology**

The scope of this audit was Fiscal Year 2007.

To gain an understanding of the Manhattan Office, we interviewed officials, including the Chief of Staff, the Director of Finance, the Lobbyist Investigator, the Director of the Lobbyist Unit, the Refund Checks Clerk, the Commissioner of Deeds and Oath of Office Clerk, the Record Room Supervisor and Assistant Supervisor, and two Record Room Clerks. We also conducted walk-throughs of the Manhattan Office's units and observed the daily activities, including determining whether money orders and checks were adequately safeguarded by each collection unit and whether restrictive endorsements are placed on them upon receipt.

We reviewed and used as criteria the New York City Comptroller's Directive #1, "Principles of Internal Control," and Directive #11, "Cash Accountability and Control." We also reviewed the City Clerk's Office Directive #1 Financial Integrity Statement submission to the Comptroller's Office for Calendar Year 2006, and the Comptroller's prior *Audit Report on the Cash Controls and Timekeeping Practices at the New York City Clerk's Manhattan Office* (ME02-144A, issued May 5, 2003) for any issues that might require follow-up during the current audit.

To determine whether the Manhattan Office has adequate controls for collecting, recording, depositing, and reconciling daily cash receipts, we obtained and reviewed "FeePaid/Waived Summary" reports (daily computer reports) generated from the computerized Marriage License Bureau (MLB) system, bank deposit slips, and City Financial Management System (FMS) Reports for March and May 2007. These months were judgmentally selected because they had the two highest dollar amounts of receipts during Fiscal Year 2007, with March receipts totaling \$344,130 and May receipts totaling \$248,447. We traced the total amounts collected listed on the daily computer reports for the sampled months to the corresponding bank deposit slips to determine whether all cash receipts collected were deposited, and deposited in a timely manner. In addition, we ascertained whether the deposited amounts were properly recorded in FMS.

To determine whether the Manhattan Office maintains proper inventory controls over its supply of blank marriage and domestic partnership certificates (certificates) and marriage licenses, we interviewed the staff of the Manhattan Office and observed inventory practices. On February 27, 2008, and March 12, 2008, we performed two unannounced observations of the printers of the certificates and marriage license printers and of the storage cabinet to determine whether the documents are adequately secured each night.

We reviewed a judgmentally selected sample of overridden transactions for the first five business days in March 2007 (March 1, 2, 5, 6, and 7, 2007) to determine the number of staff that are capable of overriding transactions in the MLB System and whether employees have the capability to override their own transactions.

In addition, for the first five business days in March 2007, we reviewed the refund checking account (including checkbook, bank statement, and canceled checks) to determine whether the refund checks written during those five days were adequately supported and appropriately signed by two authorized employees, and whether the refund checks were adequately endorsed. We also determined whether any voided refund checks for the entire month of March 2007 were available and marked “void.”

We determined whether the Manhattan Office performed monthly bank reconciliations for the refund checking account for Fiscal Year 2007. To determine whether the bank reconciliations were properly prepared, we judgmentally selected the bank reconciliation for the month of September 2007. This month was selected because it was the first month that the Director of Finance began using a new method of tracking outstanding checks, and felt it was necessary to review the current practice of the Manhattan Office rather than the practice in effect for bank reconciliations prepared during the audit scope period.

To determine whether the Manhattan Office processes mail requests for certified copies of marriage records upon receipt, we conducted interviews of City Clerk staff and observed the processing of mail requests. We reviewed the unprocessed mail requests to determine whether money orders were restrictively endorsed and whether mail requests were properly safeguarded.

The results of the above tests, while not projected to their respective populations, provided us a reasonable basis to determine whether the Manhattan Office is in compliance with Comptroller’s Directive #11, “Cash Accountability and Control.”

Our audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. The 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 City Clerk’s Office officials during and at the conclusion of this audit. A preliminary draft report was sent to City Clerk’s Office officials and discussed at an exit conference held on May 12, 2008. On May 19, 2008, we submitted a draft report to City Clerk’s Office officials with a request for comments. We received a written response from City Clerk’s Office officials on June 3, 2008. In their response, City Clerk’s Office officials generally agreed with the audit’s findings and recommendations.

The full text of the City Clerk’s Office response is included as an addendum to this report.



## FINDINGS AND RECOMMENDATIONS

The Manhattan Office generally adheres to the guidelines for internal controls over cash receipts established by Comptroller's Directive #11. The audit determined that the Manhattan Office accepts as payment only money orders and certified checks from the public and company checks from the lobbyists. The Manhattan Office also issues computer-generated, sequentially-numbered receipts, makes daily deposits, requires two signatures for the issuance of refund checks, and performs monthly bank reconciliations. In addition, the deposits are reconciled to the amounts recorded in FMS.

The audit also identified some internal control weaknesses; however, these weaknesses were not material enough to detract from our overall conclusion. They included the following: inadequate controls over blank certificates and marriage licenses, lack of reconciliation of fees collected with fees deposited, ability of employees to override their own transactions, and inadequate controls over the issuance of refund checks.

These issues and others are discussed in more detail in the following sections of this report.

### **Inadequate Controls over Blank Marriage and Domestic Partnership Certificates and Marriage Licenses**

The Manhattan Office has inadequate controls over the supply and distribution of blank certificates and marriage licenses. Comptroller's Directive #11, §3.3, requires that pre-numbered, pre-printed receipts be issued for payments received and that a physical inventory of blank receipt forms be maintained. In addition, Comptroller's Directive #1 states that blank pre-numbered license forms should be accounted for numerically and that periodic inventories of blank licenses should be made.

In its 2006 Directive #1 response to the Comptroller's Office, the City Clerk's Office stated that blank pre-numbered license forms are accounted for numerically and that periodic inventories are made. However, we found that the Manhattan Office does not maintain inventory records for the boxes containing packages of the sequentially-numbered, pre-printed blank certificates and marriage licenses. Although unopened boxes of these forms are stored in a locked room, the Manhattan Office does not maintain an inventory over the supply and distribution of these forms, so there is no assurance that all blank certificates and licenses are accounted for. The Manhattan Office does, however, maintain a logbook of unopened packages of certificates and marriage licenses that are issued to the employees who use them. This logbook is used to record the name and signature of the employee receiving a package of certificates or marriage licenses, the box number the package came from, the reference (pre-printed) sequence numbers of documents in that package, and the date of issuance. However, we determined that the logbook is not always filled out correctly, with fields, such as the employee's name, signature, and the date, left blank. To help provide a better control over the unused certificates and marriage licenses, the supervisors should ensure that entries in the logbook are completed properly.

In addition, the Manhattan Office does not account for each certificate and marriage license by using the numbers already printed on them. Instead, the office uses a number automatically generated by the MLB system when the certificates and licenses are issued each day. These computer-generated numbers, which represent payment receipt numbers, do not match the numbers printed on the issued certificates and marriage licenses and cannot be used to detect gaps in sequence numbers that would indicate that forms may be missing. There is no way to reconcile the printed sequential numbers on the certificates and licenses with the numbers generated by the computer system. Therefore, the Manhattan Office cannot account for every issued certificate and license. Without this document control, the misappropriation of blank forms could easily occur without detection.

For example, during our review of the daily folders for the first five business days of March 2007, we identified 10 voided transactions (as indicated on the MLB system) in which the actual certificate could not be found. Although it is the practice of the Manhattan Office to mark voided certificates and licenses by writing the word “void” on the front of the document and to file them in the daily folders with the other documents relating to each day’s activities, we were unable to verify that this was done for the 10 voided transactions we identified. As the Manhattan Office does not track the blank certificates and licenses, it would be unable to determine whether any voided certificates or marriage licenses were missing. It is possible that these certificates were not voided, but rather issued and the fees not reported. In any case, the inability to account for all forms poses a risk of their misuse.

We further observed that packages of blank certificates and marriage licenses are not safeguarded and locked away at the end of the day. On two occasions, we made unannounced visits to the Manhattan Office at the end of the business day and found unsecured blank certificates and marriage licenses in printer drawers and file cabinets. On the first occasion we observed unsecured forms in six places. For example, the file cabinet at the cashier supervisor’s desk where several packages of blank forms were kept had a broken lock. On the second visit, a lock had been placed on the cashier supervisor’s file cabinet; however, we observed one printer drawer in the office that contained unsecured domestic partnership certificates. This is contrary to Comptroller’s Directive #1, which requires that blank, imprinted licenses and permits be properly stored and secured. In its 2006 Directive #1 response, the City Clerk’s Office stated that licenses and permits are properly stored and secured. However, the Manhattan Office is not appropriately safeguarding these forms and is therefore easily susceptible to theft. There is concern that these forms, which bear the City Clerk’s signature, can be easily misappropriated without being detected and used to produce fraudulent marriage documents.

The prior 2003 Comptroller’s Office report, *Audit Report on the Cash Controls and Timekeeping Practices at the New York City Clerk’s Manhattan Office*, also cited the City Clerk’s Office for inadequate controls over blank certificates and licenses, including the lack of an inventory system to track blank certificates and licenses, inadequate safeguards over blank certificates and licenses, and inadequate controls over voided certificates and licenses.

## **Recommendations**

The City Clerk's Office should:

1. Ensure that a proper inventory system is maintained to track blank certificates and marriage licenses.

*City Clerk's Office Response:* "The City Clerk will implement this recommendation. Periodic inventories of blank licenses and certificates will be performed."

2. Develop a daily reconciliation to track the pre-printed numbers of the certificates and marriage licenses to ensure that all issued and voided documents can be accounted for, since the MLB system does not have the capability to record this information.

*City Clerk's Office Response:* "The City Clerk will implement this recommendation. As part of the agency move to 141 Worth Street, a new computer application is being developed for the agency. The Department of Information Technology and Telecommunication (DoITT) is acting as project manager. The agency has made a request of DoITT personnel to require the entering of the red tracking number in the new computer application."

3. Properly store and secure blank certificates and marriage licenses.

*City Clerk's Office Response:* "The City Clerk will implement this recommendation. The agency will properly store and secure blank certificates and marriage licenses."

## **Daily Cash Collection Reports**

### **Do Not Match Daily Bank Deposits**

The Manhattan Office does not properly reconcile fees collected with fees deposited. Our review of the Manhattan Office's daily computer report to the daily cash deposits for March and May 2007 disclosed that for 37 of 44 days (84%), the daily cash collections did not match the daily cash deposited into the bank. The discrepancies ranged from a shortage of \$390 to an overage of \$360.

Although for the most part the discrepancies were not material in relation to the total daily deposits, we are concerned that the discrepancies occurred frequently (84% of the days reviewed) and without explanation for their occurrence. In most instances the cash was deposited prior to matching the collections with the daily computer report, and there was no documentation regarding the resolution of the discrepancies. This is contrary to Comptroller's Directive #1, which states that cash receipts should be matched to collection reports on a daily basis. In its 2006 Directive #1 response, the City Clerk's Office stated that it is performing the reconciliation; however, we did not find this to be the case.

The Chief of Staff informed us that the cash receipts are deposited prior to reconciliations with the daily computer reports because Comptroller's Directive #11 requires deposits be made by the next day. Directive #11, §3.4b, states, "Generally, deposits must be made on a daily basis." The Manhattan Office should reconcile the cash receipts with the daily computer report prior to taking the deposits to the bank the next day. Having the money orders and checks during its reconciliation process would aid the Manhattan Office in identifying transactions that may have been incorrectly recorded or not recorded at all.

If the cash receipts from the daily computer report are not matched to the daily cash deposit, there is an increased risk of theft or misappropriation of funds. In addition, any discrepancies between the amount recorded in the daily computer report and the amount deposited becomes more difficult to trace.

The 2003 Comptroller's Office report, *Audit Report on the Cash Controls and Timekeeping Practices at the New York City Clerk's Manhattan Office*, also cited the City Clerk's Office for bank deposits that did not match its daily cash reports. Although the City Clerk's Office responded to the prior audit that a reconciliation procedure was established that required a written explanation and supervisor's signature for identified discrepancies, this procedure is not being performed.

#### **Recommendation**

4. The City Clerk's Office should issue a written procedure requiring that the daily computer report be reconciled with the daily cash receipts before the cash is deposited in the bank. In addition, all discrepancies found during the reconciliation should have a written explanation and be approved by a supervisor.

*City Clerk's Office Response:* "Our agency has asked DoITT personnel to give us the ability to make changes to the computer application beyond the original date of entry. Because of a lack of personnel, the agency will have difficulty reconciling the daily computer run with the daily cash receipts before the cash is deposited in the bank. Nonetheless, we will establish a written procedure that deals with this practical difficulty."

#### **Employees Allowed to Override Their Own Transactions**

Based on our review of the daily computer reports for the first five business days in March 2007, of the 2,815 transactions processed, we determined that there was a total of 218 (7.7%) transactions with supervisor overrides. Of these 218 transactions, 128 (59%) transactions were overridden by the employee who entered the transaction (consisting of six employees). One employee, who works in the record room, overrode 84 of these transactions.

Allowing an individual to override his or her own transaction is an internal control weakness. There is a risk that records will be generated for which payments were not recorded.

According to Comptroller's Directive #1, key duties and responsibilities should be segregated among different staff members to reduce the risk of error or fraud. No one individual should control all key aspects of a transaction or event.

We were informed by the Manhattan Office's Chief of Staff that 15 of its 44 employees at the Manhattan Office have override capability. This capability should be given to only one or two supervisory employees within each unit. If staff members make errors in entering transactions, their immediate supervisor should be the individual to override the transaction.

Although one employee overrode 84 of the transactions, the overrides appeared to be needed to generate copies of records from the MLB system. We found that when mail requests for copies of marriage certificates are received and opened, the associated payments are recorded in the system as a pending transaction. When record room staff search for the requested certificate at a later date, in order to generate copies of marriage certificates from the MLB system, a payment must be entered into the system; since a payment was previously recorded, the fee amount is reduced to zero, thus requiring the override. We find this process to be highly inappropriate. Overrides should be used on an exception basis and not for regularly performed transactions. The Manhattan Office needs to modify the MLB system to account for overrides that otherwise appear to be routine transactions.

By allowing one person to control all aspects of a transaction, there is an increased risk that this person can both perpetuate and conceal errors or irregularities in the normal course of performing duties. A lack of segregation of duties increases the potential for fraud or misappropriation of funds.

### **Recommendation**

5. The City Clerk's Office should limit the transaction override function to one or two supervisors within each unit and should not allow individuals to override their own transactions. In addition, it should modify the MLB system so that overrides are not needed for regularly performed transactions.

*City Clerk's Office Response:* "The City Clerk will implement this recommendation. The City Clerk's office will limit the transaction override function to one or two supervisors within each unit and not allow individuals to override their own transaction."

### **Inadequate Controls over the Issuance of Refund Checks**

The Manhattan Office does not have an adequate control over the issuance of refund checks: it has no method of reconciling the refund checks issued to the daily computer report. As a result, there is a risk that refund checks may be issued to individuals who do not warrant them, that they may be issued for the incorrect amount, or that they may not be issued to all individuals due a refund.

Presently, the refund clerk prepares the refund checks based on the information provided to her by the cashier. However, the information received by the refund clerk does not include the reason for the refund or evidence of the refund amount. For better control, the cashier should include in the information provided to the refund clerk copies of the computer-generated receipts that show the fee amount, the fee collected, and applicable refund amount. In addition, when recording the refund, the refund clerk should include the transaction number and a brief description of the reason for the refund. This would provide the Manhattan Office with a better control over the issuance of the refund checks and also provide a level of assurance that all required refunds are issued.

Comptroller's Directive #11, §4.1, states that "disbursements should be made by check and recorded in a Cash Disbursements Journal." Furthermore, as required by Comptroller's Directive #1, all transactions and significant events should be clearly documented and the documentation readily available for use or examination. To provide an adequate record and verification of refund checks, the Manhattan Office should develop a refund-check log to document the daily refunds processed by its staff. This log should include the transaction date, payee's name, the refund amount, a transaction number, and a brief explanation for the issuance of the refund. If a refund check is returned or canceled, this information should also be noted in the log to provide better control over the outstanding checks and total amount of refunds that is owed to the public.

### **Recommendations**

The City Clerk's Office should:

6. Ensure that the cashier provides copies of the computer-generated receipts to the refund clerk.

***City Clerk's Office Response:*** "The City Clerk will implement this recommendation. The agency will ensure that the cashier provides copies of the computer-generated receipts to the refund clerk."

7. Develop a log to record and track refunds to ensure that only authorized refund checks are processed and that all required refund checks are issued to the public. This log should include all necessary information to allow the transaction to be traced to the MLB system for verification.

***City Clerk's Office Response:*** "The City Clerk will implement this recommendation. While a log currently exists in the record room, no log is maintained in the marriage license area. A log will be developed to record and track refunds to ensure that only authorized refund checks are processed and issued to the public."

### **Voided Refund Account Checks Not Properly Marked “Void”**

The Manhattan Office does not always identify voided refund checks. According to Comptroller’s Directive #11, §4.2b, “Voided checks should be mutilated or marked ‘void’ and permanently preserved with the check book.” Our review of the refund checking account for the month of March 2007 found that 4 of the 19 voided refund checks, totaling \$60, were not marked “void.” These four checks had two authorized signatures making them valid and able to be cashed. In addition, for one of these four checks, the Manhattan Office failed to indicate on the check stub that the check was voided.

The Manhattan Office should ensure that all voided checks are properly marked “void” to prevent someone from cashing these checks and should also make notations on the check stubs as well to maintain an adequate record of voided transactions.

#### **Recommendation**

8. The City Clerk’s Office should ensure that all voided refund checks (and associated check stubs) are properly marked “void” to prevent improper use and to maintain adequate records.

*City Clerk’s Office Response:* “The City Clerk will implement this recommendation. We will ensure that all voided checks (and associated check stubs) are properly marked ‘void’ to prevent improper use and to maintain adequate records.”

### **Outstanding Refund Checks Not Canceled in a Timely Manner**

Of the 41 refund checks written during the first five business days in March 2007, 11 checks totaling \$100.50 were still outstanding as April 2, 2008, the date of our review. Although the refund checks are inscribed “Not Valid after 90 Days From Issue Date,” the Manhattan Office is not canceling these checks as required. According to Comptroller’s Directive #11, §4.4b, “Checks should state on their face that they are void after a specified period. (Preferably six months after [the] dating.)” Section 6.3 further states that “checks outstanding more than six months should be canceled [on the City’s records by the agency].”

We questioned the Fiscal Director about these checks, and he said that even though they are more than 90 days old, the City Clerk is still obligated to pay the refund to the applicant. If the applicant contacts the Manhattan Office for a replacement check, the office must process a new refund check; however, doing so does not prevent the Manhattan Office from canceling the outdated checks. To adequately reflect the proper book balance of the refund checking account, the Manhattan Office should cancel all checks outstanding in excess of 90 days, as indicated on the checks, or at least within six months, as required by Comptroller’s Directive #11.

**Recommendation**

9. The City Clerk's Office should ensure that refund checks outstanding more than 90 days are canceled in a timely manner and that the amounts are restored to the refund account.

***City Clerk's Office Response:*** "The City Clerk will implement this recommendation. Currently, the refund checks are inscribed 'Not valid after 180 days from issue date'. The City Clerk's office will ensure that refund checks outstanding more than 180 days are cancelled in a timely manner and the amounts are restored to the refund account."





**THE CITY OF NEW YORK  
OFFICE OF THE CITY CLERK  
MUNICIPAL BUILDING  
NEW YORK, N.Y. 10007**

**HECTOR L. DIAZ**  
CITY CLERK, CLERK OF THE COUNCIL

June 2, 2008

Mr. John Graham  
Deputy Comptroller  
Audits, Accountancy & Contracts  
Office of the Comptroller  
One Centre Street  
New York, New York 10007-2341

RE: DRAFT REPORT  
Audit Report on the Cash Controls at the  
New York City Clerk's Manhattan Office  
MD08-073A

Dear Mr. Graham:

I am in receipt of the draft of the above-captioned report.

I must express my gratitude to you and your staff for the efforts extended on behalf of this office. In addition, I have attached my response to the recommendations contained in the audit. It is my understanding that this response will be attached to the final audit.

If there are any further questions, please do not hesitate to contact me at 212-669-8898.

Sincerely,

  
Hector L. Diaz  
City Clerk, Clerk of the Council

Enclosure

## RESPONSE TO FINDINGS AND RECOMMENDATIONS

The Office of the City Clerk ("City Clerk") has reviewed the draft Audit Report dated May 19, 2008 and prepared this response.

1. **Ensure that a proper inventory system is maintained to track blank certificates and marriage licenses.**  
The City Clerk will implement this recommendation. Periodic inventories of blank licenses and certificates will be performed.
2. **Develop a daily reconciliation to track the pre-printed numbers of the certificates and marriage licenses to ensure that all issued and voided documents can be accounted for, since the MLB system does not have the capability to record this information.**  
The City Clerk will implement this recommendation. As part of the agency move to 141 Worth Street, a new computer application is being developed for the agency. The Department of Information Technology and Telecommunication (DoITT) is acting as project manager. The agency has made a request of DoITT personnel to require the entering of the red tracking number in the new computer application.
3. **Properly store and secure blank certificates and marriage licenses.**  
The City Clerk will implement this recommendation. The agency will properly store and secure blank certificates and marriage licenses.
4. **The City Clerk's Office should issue a written procedure requiring that the daily computer run be reconciled with the daily cash receipts before the cash is deposited in the bank. In addition all discrepancies found during the reconciliation should have a written explanation and be approved by a supervisor.**  
Our agency has asked DoITT personnel to give us the ability to make changes to the computer application beyond the original date of entry. Because of a lack of personnel, the agency will have difficulty reconciling the daily computer run with the daily cash receipts before the cash is deposited in the bank. Nonetheless, we will establish a written procedure that deals with this practical difficulty.
5. **The City Clerk's Office should limit the transaction override function to one or two supervisors within each unit and should not allow individuals to override their own transactions. In addition, it should modify the MLB system so that the overrides are not needed for regularly performed transactions.**  
The City Clerk will implement this recommendation. The City Clerk's office will limit the transaction override function to one or two supervisors within each unit and not allow individuals to override their own transaction.

6. **Ensure that the cashier provides copies of the computer-generated receipts to the refund clerk.**

The City Clerk will implement this recommendation. The agency will ensure that the cashier provides copies of the computer-generated receipts to the refund clerk.

7. **Develop a log to record and track refunds to ensure that only authorized refund checks are processed and that all required refund checks are issued to the public. This log should include all necessary information to allow the transaction to be traced to the MLB system for verification.**

The City Clerk will implement this recommendation. While a log currently exists in the record room, no log is maintained in the marriage license area. A log will be developed to record and track refunds to ensure that only authorized refund checks are processed and issued to the public.

8. **The City Clerk's Office should ensure that all voided refund checks (and associated check stubs) are properly marked "void" to prevent improper use and to maintain adequate records.**

The City Clerk will implement this recommendation. We will ensure that all voided checks (and associated check stubs) are properly marked "void" to prevent improper use and to maintain adequate records.

9. **The City Clerk's office should ensure checks outstanding more than 90 days are canceled in a timely manner and that the amounts are restored to the refund account.**

The City Clerk will implement this recommendation. Currently, the refund checks are inscribed "Not valid after 180 days from issue date". The City Clerk's office will ensure that refund checks outstanding more than 180 days are cancelled in a timely manner and that the amounts are restored to the refund account.