

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 Office of the Public Advocate

MH04-135A

June 30, 2004



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 audited the Office of the Public Advocate (OPA) to review its internal controls over its personnel, payroll, timekeeping, small purchases, and physical assets, in compliance with City rules and regulations. OPA reviews and investigates complaints about City services, assesses whether agencies are responsive to the public, and recommends improvements in agency programs and procedures for handling complaints.

The results of our audit, which are presented in this report, have been discussed with OPA officials, and their comments have been considered in the preparation of this report.

Audits such as this provide a means of ensuring that City resources are used effectively, efficiently, and in the best interest of the public.

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

Very truly yours,

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

William C. Thompson, Jr.

WCT/fh

Report: MH04-135A
Filed: June 30, 2004

Table of Contents

AUDIT REPORT IN BRIEF.....	1
Audit Findings and Conclusions.....	1
Audit Recommendations.....	2
INTRODUCTION.....	3
Background.....	3
Objective.....	3
Scope and Methodology.....	3
Discussion of Audit Results.....	6
FINDINGS AND RECOMMENDATIONS.....	7
Failure to Submit Financial Integrity Statement.....	7
Weaknesses in Personnel, Payroll, and Timekeeping.....	8
Incomplete Personnel Files.....	8
Discrepancies in Timekeeping Records.....	8
Annual Leave Time Not Properly Documented.....	8
Annual Leave Balances Exceed Two-Year Limit.....	9
Payroll Management System (PMS) Not Used to Record Employee Leave Balances.....	10
Inadequate Controls Over Physical Assets (Inventory).....	11
Incomplete Inventory List.....	11
Inaccurate Inventory List.....	11
Equipment Is Not Always Properly Identified.....	12
Inventory List Not Reconciled With Accounting Records.....	12
Weaknesses in Small Purchases.....	13
Vouchers Lack Supporting Documentation.....	13
Paid Invoices Not Marked Vouchered.....	14
Voucher Packages Not Properly Filed.....	14
Vendor Invoices Paid Late.....	14
Failure to Solicit Bids.....	16
Services Provided Without A Contract.....	17
Other Minor Matters.....	18
Employees Not Paid Within Salary Ranges of Their Titles.....	18
Manager Approving Payments is also a Signatory on Imprest Fund Account.....	18
Noncompliance with Fiscal Year-End Closing Requirements.....	18
Purchases Charged to Incorrect Object Codes.....	18

APPENDIX: Implementation Status of 26 Prior Audit Recommendations

ADDENDUM: Office of the Public Advocate Response

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

**Audit Report on the
Financial and Operating Practices of the
Office of the Public Advocate**

MH04-135A

AUDIT REPORT IN BRIEF

This audit of the Office of the Public Advocate (OPA) evaluated the agency's internal controls over its personnel, payroll, timekeeping, small purchases, and physical assets, as well as its compliance with applicable City rules and regulations. Headed by an independently elected official, OPA represents the consumers of New York City services. It reviews and investigates complaints about City services, assesses whether agencies are responsive to the public, and recommends improvements in agency programs and procedures for handling complaints. During Fiscal Year 2003, OPA had an operating budget of \$1.9 million, consisting of \$1,627,775 for Personal Services (PS) and \$244,949 for Other Than Personal Services (OTPS) expenditures, capital spending of \$393,743 and a budgeted staff of 35 full-time employees.

Audit Findings and Conclusions

We determined that all employees on the OPA payroll were bona fide and that its purchases were legitimate and necessary for its operation. However, overall OPA needs to improve its internal controls over its personnel, payroll, timekeeping, purchasing, and physical assets. We found deficiencies including: incomplete personnel files, discrepancies in timekeeping records, incomplete inventory lists, equipment not always identified, vendor invoices paid late, and bids not solicited when required.

The deficiencies found in this audit are mainly caused by an inadequate segregation of duties and management oversight. Moreover, OPA employees, including managers, are not always familiar with, nor have they received adequate training in, the appropriate Citywide policies and procedures.

Audit Recommendations

To address these issues, we make a total of 22 recommendations. The major recommendations are that OPA should:

- File a Financial Integrity Statement annually that includes an update on the status of prior audit recommendations.
- Ensure that key duties and responsibilities in authorizing, processing, and recording within the personnel, payroll, and timekeeping functions be segregated among individuals.
- Provide training in Citywide personnel policies and procedures to management and administrative staff members to ensure that they are followed.
- Increase oversight by management to ensure that personnel, payroll, and timekeeping documents are independently reviewed and verified for completeness and correctness by the Director of Administration or another staff member not involved in the process.
- Maintain employees' leave balances on the City's Payroll Management System (PMS).
- Maintain accurate, detailed inventory records that include an OPA-assigned inventory number, the equipment serial number, the location of the equipment, and the user name.
- Ensure that key duties and responsibilities in authorizing, processing, recording, and reviewing payment voucher packages are separated among individuals. For example, no single individual should be authorized to order merchandise, verify the receipt of goods, and pay the suppliers.
- Ensure adequate oversight by management over the purchasing process and have payment voucher packages independently reviewed and verified by the Director of Administration, or another staff member not involved in the purchasing process, for completeness and correctness.
- Obtain at least five bids for all purchases over \$5,000, when required, and maintain detailed documentation of the purchasing process in a procurement file, including how the vendor was selected.

INTRODUCTION

Background

The Office of the Public Advocate (OPA), headed by an independently elected official, represents the consumers of New York City services. It reviews and investigates complaints about City services, assesses whether agencies are responsive to the public, and recommends improvements in agency programs and procedures for handling complaints. It also monitors the effectiveness of the City's public information and education efforts, as well as compliance of City officers and agencies with the New York City Charter. During Fiscal Year 2003, OPA had an operating budget of \$1.9 million, consisting of \$1,627,775 for Personal Services (PS) and \$244,949 for Other Than Personal Services (OTPS) expenditures, capital spending of \$393,743 and a budgeted staff of 35 full-time employees.

The Mayor, the Comptroller, and various oversight agencies have established rules and regulations to maintain uniformity and standardize administrative, financial, and management procedures among all City agencies, and to ensure the integrity of the City's management and financial systems. The Comptroller's Internal Control and Accountability Directives (Comptroller's Directives) are a body of such 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. The City's Procurement Policy Board promulgates rules governing City procurement and contracts. The Department of Citywide Administrative Services (DCAS) establishes leave regulations for managerial and non-managerial City employees. All City agencies are expected to comply with these various rules and regulations.

Objective

The objective of this audit was to determine whether OPA maintains adequate internal controls over its personnel, payroll, timekeeping, small purchases, and physical assets, in compliance with applicable City rules and regulations.

Scope and Methodology

This audit covered the period July 1, 2002, to December 31, 2003. To achieve our audit objective, we interviewed the OPA Deputy Chief of Staff, Director of Administration, and other staff members to gain an understanding of the internal controls and processes over personnel, payroll, timekeeping, purchasing, and physical assets (inventory). We also obtained and reviewed OPA policies and procedures regarding processing PS and OTPS transactions. In addition, we reviewed the Fiscal Year 2004 Budget, and other relevant information to develop an understanding of the agency and its operations.

To evaluate OPA controls over personnel, payroll, timekeeping, purchasing and inventory, we used the following sources as audit criteria:

- Comptroller's Directive 1, Internal Control Checklist
- Comptroller's Directive 3, Procedures for the Administration of Imprest Funds
- Comptroller's Directive 13, Payroll Procedures
- Comptroller's Directive 24, Purchasing Function – Internal Controls
- New York City leave regulations for managerial employees
- Procurement Policy Board (PPB) Rules, Chapter 1, §1-01, Definitions
- Procurement Policy Board (PPB) Rules, Chapter 3, §3-08, Small Purchases
- Procurement Policy Board (PPB) Rules, Chapter 4, §4-06, Prompt Payment

Personnel, Payroll, and Timekeeping – Tests of Compliance with Comptroller's Directives 1 and 13, and with New York City Leave Regulations

We used data from the New York City Payroll Management System (PMS) and from OPA to identify all OPA employees. We identified a total of 64 employees¹, who worked at OPA at some time during the audit period. After randomly selecting the month of May 2003, we determined that 28 employees worked at OPA during this month.

As part of our review of OPA's payroll and timekeeping practices, we reviewed May 2003 daily sign-in sheets and biweekly time sheets for all 28 employees (the results of which were not projected to the entire year), to determine whether OPA maintained reliable and accurate timekeeping records. In addition, we reviewed the personnel files of the selected employees for evidence that required forms were present and were properly authorized. We examined all timekeeping records and personnel documents for completeness and evidence of supervisory review.

Since OPA uses its own internal Time Accrual Spreadsheets² instead of PMS to record employee leave balances, we reviewed the spreadsheets for all 64 OPA employees for the 18-month audit period, July 2002 through December 2003. We reconciled OPA employee leave records and biweekly time sheets for May 2003 to the information in the spreadsheets, to determine whether employee leave occurrences were charged to appropriate leave balances and accurately entered in the spreadsheets. Our audit tests also included a review of all leave request forms for May 2003, to determine whether OPA maintained appropriate documentation of leave requests to support leave use and whether the forms were properly authorized and signed by supervisory personnel.

We determined whether approved carryover authorizations were present in personnel files for employees who had excess annual leave balances (more than the amount that each employee earns in a two-year period) to their credit on December 31, 2003.

¹ According to PMS and the Director of Administration, all OPA employees are considered managerial for leave regulations and employee benefits.

² OPA does not use PMS to record its leave balances. Instead, leave balances are kept separately in Time Accrual Spreadsheets on an OPA computer system.

On February 27, 2004, we observed a payroll distribution to 39 employees³, to ascertain whether all employees signed for their paychecks. We also checked employee picture IDs to determine whether all employees were bona fide.

Purchasing – Test of Compliance with Comptroller’s Directives 1, 3, and 24, and with PPB Rules

We judgmentally selected the most recent 12 months of the audit period (January through December 2003) in order to evaluate OPA purchasing practices. We used data from the Financial Management System (FMS) and identified all payment vouchers issued by OPA during this period. This included four vouchers for the computer upgrade capital project (totaling \$393,743) and 209 vouchers for other purchases (totaling \$100,003). OPA also issued 36 payments from its Imprest Fund account (totaling \$2,150) during this period.

To determine whether OPA followed Comptroller’s Directives and PPB rules for its computer upgrade capital project, we reviewed all four payment vouchers and related documents for that project for evidence of bidding, signed contracts, and certifications that goods were received.

To further assess OPA purchasing practices, we randomly selected 50 of the 209 small purchases (the results of which were not projected to the entire population), which totaled \$15,538. We examined each payment voucher for the requisite approvals and authorizations, and for evidence that the transactions were for proper business purposes. We also determined whether each payment was correct, properly approved, promptly paid, and supported by adequate documentation (approval to purchase goods or services, certification that goods were received, and invoices stamped “paid”).

We also reviewed all of OPA’s 36 Imprest Fund expenditures. We examined relevant supporting documentation and receipts to determine whether the expenditures were authorized, permissible, and within allowed amounts, and whether any duplicate payments were made. We determined whether checks drawn on the account had safeguards printed on them such as “void in excess of 250 dollars” and “not valid after ninety (90) days,” and were made payable to specific payees. We also determined whether the Imprest Fund account was reconciled on a monthly basis.

Inventory - Tests of Compliance with Comptroller’s Directive 1

To determine the adequacy of OPA controls over its physical assets, we obtained several lists from the agency of its physical asset inventory to ascertain the quantity and types of assets, and the information (i.e. equipment models, serial numbers, physical location, and assigned OPA inventory numbers) used to identify the assets in inventory. We then conducted a walk-through of OPA offices to identify where equipment was located and the physical controls over those assets.

We judgmentally selected 19 of the 189 items on OPA’s capital equipment inventory list as of February 11, 2004, and determined whether they were on hand, labeled as property of OPA, and in the specified locations. We also visited an OPA satellite office on April 1, 2004, to identify its computer and computer-related assets and to determine whether those items were on

³ Of the 39 employees, 38 were current employees and one had left the agency as of February 22, 2004.

OPA inventory lists. We also judgmentally selected 133 (\$105,722) of the 629 (\$183,058) computer and computer-related items listed on one purchase order for the computer upgrade capital project, which was OPA's largest purchase of physical assets in 2003, and checked OPA inventory lists to determine whether all items purchased appeared on the lists.

Implementation of Prior Audit Recommendations

To determine whether prior audit recommendations had been implemented, we reviewed two prior audits conducted by this office: "Audit Report on the Financial and Operating Practices of the Office of the Public Advocate" (#FP96-096A) issued June 26, 1996, and its follow-up audit (#FP99-073F) issued August 18, 1999. Then we discussed the 26 recommendations made in these audit reports with the Director of Administration, since OPA has never submitted a Comptroller's Directive 1 filing.

We did not evaluate the reliability and integrity of payroll and purchasing data that we obtained from the PMS and FMS computer systems, since the City's external auditors audit both systems.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. This audit was performed in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, § 93, of the New York City Charter.

Discussion of Audit Results

The matters covered in this report were discussed with OPA officials during and at the conclusion of this audit. A preliminary draft report was sent to OPA officials and discussed at an exit conference on May 24, 2004. On May 28, 2004, we submitted a draft report to OPA officials with a request for comments. We received a written response from OPA officials on June 14, 2004.

OPA generally agreed with 20 of the 22 recommendations. Its officials disagreed with recommendation #21, "to follow the Comptroller's year-end closing procedures," and claimed that OPA was already following the procedures. In addition, they did not specifically address recommendation #22, "to ensure that correct FMS object codes are used by OPA." However, in its response, OPA stated: "As has been noted, many of the recommendations made during the audit process have been implemented. Outstanding recommendations will take time to implement, but the PAO [i.e., Public Advocate's Office] will strive to ensure full implementation in the near future."

The full text of OPA's response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

Based upon our testing, we determined that all employees on the OPA payroll were bona fide and that its purchases were legitimate and necessary for its operation. However, overall OPA needs to improve its internal controls over its personnel, payroll, timekeeping, purchasing, and physical assets. We found many deficiencies throughout these areas including: incomplete personnel files, discrepancies in timekeeping records, incomplete inventory lists, equipment not always identified, vendor invoices paid late, and bids not solicited when required.

The deficiencies found in this audit are mainly caused by an inadequate segregation of duties and management oversight. In addition, OPA employees, including managers, are not always familiar with, nor have they received adequate training in, the appropriate Citywide policies and procedures. Our findings are discussed in greater detail in the following sections of this report.

Failure to Submit Financial Integrity Statement

Each year, all City agencies are required to file copies of Comptroller's Directive 1 worksheets, also known as the "Financial Integrity Statement" (Statement), with the Comptroller and with the Mayor's Office of Operations in order to ensure the integrity of the City's management and fiscal systems. The OPA Director of Administration informed us that OPA did not file its Fiscal Year 2003 Statement and had never filed a Statement in prior years either.

As part of the Statement, OPA is asked to comment on "the current status of any unresolved [audit] recommendations ...regarding internal controls... [including] a progress statement on the implementation of actions taken to correct internal control problems." Two prior audits by our office identified many internal control issues and made a total of 26 recommendations to correct the deficiencies. According to the OPA Director of Administration, seven (27%) of the recommendations had not been implemented at all and 10 (38%) had only been partially implemented. In our current audit, we found that many of the same issues still exist (see Appendix I). By filing an annual Statement, OPA could have better tracked the implementation status of the recommendations that were intended to strengthen its internal controls.

Recommendation

1. OPA should file a Financial Integrity Statement annually that includes an update on the status of prior audit recommendations.

OPA Response: OPA agreed with the recommendation, stating: "On March 24, 2004, Directive #1 was delivered to the Comptroller's Office. An additional required document was delivered to the Comptroller's Office on June 8, 2004. In the future, Directive #1 will be submitted in a timely matter."

Weaknesses in Personnel, Payroll, and Timekeeping

We found that OPA had an inadequate segregation of duties, inadequate training, and limited management oversight in its personnel, payroll, and timekeeping functions. OPA had one employee responsible for all these activities. Furthermore, OPA did not maintain adequate payroll and personnel documentation and had limited supervision by managers to review and monitor the work performed. These conditions are contrary to Comptroller's Directive 1, which states "To minimize the possibility of inefficiency, errors, and fraud, responsibility for a sequence of related operations should be divided among two or more persons."

Through interviews with OPA staff, we found that OPA employees, including managers, are not always familiar with, nor have they received adequate training in, the appropriate Citywide personnel and payroll policies and procedures. Therefore, internal agency policy and procedures do not fully comply with the Citywide rules.

Although OPA is a small agency, we believe it is possible with its current staff to better segregate and supervise personnel, payroll, and timekeeping functions. We brought these matters to the attention of OPA officials. Subsequently, the Director of Administration advised the auditors that she is already reassigning various tasks and duties among her existing staff and implementing new procedures in order to minimize the possibility of inefficiency and errors and to increase supervisory oversight.

As a result, we found the following deficiencies:

Incomplete Personnel Files

All of the 28 sampled files lacked at least two required documents: a Verification of Employment Eligibility (I-9), which certifies that an individual is entitled to work in the United States, and a Proof of City Residency. In addition, 21 (75%) of the 28 files contained a PMS job appointment form⁴ that was not certified by a manager as required. Without complete personnel files, OPA may hire employees who are not eligible to work for the City.

Discrepancies in Timekeeping Records

During the scope period of this audit, one employee compared daily sign-in sheets to timesheets, made adjustments to the timesheets, and then entered the data into the Time Accrual Sheets, without anyone reviewing the work. Based upon our testing of the May 2003 period, we found discrepancies between the time sheets and the daily sign-in sheets for four (14%) of the 28 employees that resulted in a total overstatement in leave balances of two hours and 30 minutes. Without independent review, these types of mistakes will go undetected.

Annual Leave Time Not Properly Documented

According to OPA's internal "Time and Leave Regulations," employees are required to submit requests for annual leave in writing on a Leave Request Form prior to taking the leave.

⁴ This form is used to add new employees to the agency payroll.

OPA neither enforces its own procedures nor complies with Comptroller's Directive 13, which requires maintaining supporting documentation including requests for annual leave.

We found that there were no approved annual leave requests forms in OPA timekeeping files for eight (27%) of 30 instances when full days were taken by OPA employees, nor for any of the 12 instances when partial days (hours) were taken for the May 2003 period. OPA's Leave Request Form lists available leave time. Without this information, supervisors may not know whether the employee has sufficient time available before leave is approved and employees may unknowingly exceed their annual leave balances.

Annual Leave Balances Exceed Two-Year Limit

Based upon DCAS Leave Regulations for Managerial Employees, "The maximum accumulation of annual leave credit which can be carried over from one calendar year to the next shall be the amount that one employee can accrue in the two-year period prior to the end of the calendar year. . . . Any leave which exceeds the maximum accumulated limits . . . shall be converted to sick leave." As of December 31, 2003, two employees had annual leave balances that exceeded the two-year limit—one of them by one year. In addition, no permission was found in the files allowing the employees to exceed the two-year limit. This could increase the City's liabilities in the case of departure or termination of those employees.

Recommendations

OPA should:

2. Ensure that key duties and responsibilities in authorizing, processing, and recording within the personnel, payroll, and timekeeping functions be segregated among individuals.

OPA Response: OPA agreed with the recommendation, stating: "The timekeeping function within the Administrative Unit has been transferred from the Director of Administration to a staff member within the unit.

"We anticipate that payroll management will be transferred from the Director of Administration to another staff member within the unit (a staff member who is not timekeeper) by fall of 2005."

3. Provide training in Citywide personnel policies and procedures to management and administrative staff members to ensure that they are followed.

OPA Response: OPA agreed with the recommendation, stating: "All administrative personnel have been instructed to attend Office of Payroll Administration (OPA) and FISA trainings. Trainings that have already been completed include PMS Basic Time Keeping, FMS Basic ILT106, FMS ILT 321-Procurement Functions, and Office Year End Closing Instruction."

4. Increase oversight by management to ensure that personnel, payroll, and timekeeping documents are independently reviewed and verified for completeness and correctness by the Director of Administration or another staff member not involved in the process.

OPA Response: OPA agreed with the recommendation, stating: “The Director of Administration will oversee timekeeping and payroll to ensure accurate and complete information.”

5. Correct deficiencies found by ensuring that personnel files are complete and up-to-date; timekeeping records are accurate; Annual Leave Forms are submitted prior to use of time; and employees with excess annual leave balances submit a plan, approved by their manager, to use the excess time or convert it to sick leave.

OPA Response: OPA agreed with the recommendation, stating: “All personnel files have been reviewed and updated so that all documentation is complete. The Director of Administration has been instructed that no new staff will be processed and added to the Payroll without a complete file. With respect to time and leave procedures, the PAO [i.e., Public Advocate’s Office] is implementing new time and leave procedures and forms.

“Given the fact that the employees with excess leave balances are in senior management positions, the PAO believes at this time that a plan to use the excess leave time would be detrimental to the agency.”

PMS Not Used to Record Employee Leave Balances

Comptroller’s Directive 13 requires that all City agencies use PMS to process payrolls and to maintain employee leave balances. OPA partially complies with this requirement by using PMS to generate paychecks but not to maintain employees’ leave balances. In order to generate paychecks using PMS, OPA enters 70 hours each two-week pay period for every full-time employee, but does not enter any leave time that is used by the employee. As a result, leave balances for all OPA employees are incorrect in the City’s PMS records.

OPA maintains employee leave balances in its own internal Time Accrual Spreadsheets. It does not reconcile these internal records with PMS. Therefore, employees receive incorrect annual and sick leave balances on their biweekly pay-stubs that come from PMS. Moreover, since OPA distributes time balances to employees only every four months, employees may overuse leave balances; thus timekeeping mistakes may be difficult to detect.

In addition, we found that OPA Time Accrual Spreadsheets contained errors that systematically undercharged leave balances of employees who used fractions of hours for annual or sick leave. In May 2003, this affected 15 employees and resulted in a total of 12.55 hours—ranging from 12 minutes to 2 ½ hours for each employee— not being charged to employees’ time balances. We advised the Director Administration and she subsequently corrected the time balances for the affected employees.

We also informed the Deputy Chief of Staff that OPA had previously agreed, after our last audit, to use PMS for leave balances. The Director of Administration subsequently advised us that OPA had started the first steps in converting its timekeeping practices to PMS.

Recommendation

6. OPA should maintain employees' leave balances on the City's Payroll Management System (PMS).

OPA Response: OPA agreed with the recommendation, stating: "the PAO [i.e., Public Advocate's Office] is currently transferring leave balances to the City's Payroll Management System (PMS) and is receiving training from the Office of Payroll Administration. The transfer will be implemented by Fiscal Year 2005."

Inadequate Controls Over Physical Assets (Inventory)

According to Comptroller's Directive 1, detailed records should be maintained for all assets in inventory, and that capital equipment and other portable fixed assets be tagged and numbered. In addition, inventory lists should be periodically reconciled with accounting records, and adjusted to reflect additions and retirement (disposal). We found that OPA does not comply with Directive 1. This led to the following inventory control weaknesses that may result in the misuse or theft of City assets:

Incomplete Inventory List

As part of our testing, we found 43 computers and computer-related equipment labeled "Property of the Office of the Public Advocate," in an OPA office on the 10th floor in the Municipal Building. Of these 43 items, 25 (58%) items were not listed on OPA's computers and related capital equipment inventory list. When we brought this to the attention of an OPA manager, he gave us four additional inventory lists, which he said should include all items. However, these lists were not complete. They included duplicate listings and items without inventory or serial numbers, etc. Therefore, we could not determine whether the 25 items were listed anywhere in the inventory. Failure to maintain a master inventory list makes it difficult to control and safeguard assets.

Inaccurate Inventory List

We found problems with five (26%) of the 19 items randomly selected from the OPA's inventory list of computers and related capital equipment. Two of the five items—a computer monitor and a laptop computer—could not be found. In addition, three of the five items—a computer monitor, a keyboard and a digital camera—were found in different locations from the ones indicated on the inventory list.

The manager in charge of computers and capital related equipment informed us that "[OPA] does not update the inventory listing regularly, not even annually." Failure to update inventory lists to account for changes in inventory raises the risk that items will disappear without detection.

Equipment Is Not Always Properly Identified

OPA does not affix identification to all of its capital equipment. Of the 19 items mentioned above, we found one digital camera that was not tagged or identified as property of OPA. Also, in order to distinguish one item from another (since OPA purchases quantities of the same item) it is important that each item be assigned a unique inventory number. In our review of OPA's inventory list of computers and related capital equipment, we found that no inventory numbers had been assigned to 10 laptop computers, each of which was purchased for \$1,479. Failure to properly tag and identify equipment increases the risk that equipment will be misplaced, lost, or stolen.

Inventory List Not Reconciled With Accounting Records

OPA does not have a master inventory list or reconcile its inventory records against accounting records. Therefore, OPA may pay for assets that are not received or that disappear before they are recorded. In a comparison of 133 sampled items purchased in Fiscal Year 2003, we found that 20 (15%) of those items, totaling \$19,682, were missing from OPA's inventory list of computers and related capital equipment, as detailed in Table I, below:

Table I
Fiscal Year 2003 Purchases Not On OPA Inventory List
As of April 2004

Type of Equipment	Items On Purchase Order	Items On Inventory List	Items Missing From Inventory List	Cost of Item	Total Cost of Missing Items
Computer Server	6	3	3	\$1,395	\$4,185
Computer Workstation	60	50	10	\$1,088	\$10,880
Computer Monitor	60	58	2	\$436	\$872
Printer	2	1	1	\$1,827	\$1,827
Camcorder	2	0	2	\$619	\$1,238
Digital Camera	3	1	2	\$340	\$680
TOTALS	133	113 (85%)	20 (15%)		\$19,682

These weaknesses show OPA controls over inventory records are inadequate, and this may result in missing and stolen inventory items going unnoticed, and in increased spending to replace missing items.

Recommendations

OPA should:

7. Maintain accurate, detailed inventory records that include an OPA-assigned inventory number, the equipment serial number, the location of the equipment, and the user name.

OPA Response: OPA agreed with the recommendation, stating: "We have begun to compile this master list and to reconcile it with our accounting records. The master list will also be periodically reconciled and spot checked."

8. Tag each inventory item as “Property of the Office of the Public Advocate,” with its OPA-assigned inventory number.

OPA Response: OPA agreed with the recommendation, stating: “[OPA] does affix standard identification labels to equipment. The example noted in the draft audit was of a small digital camera. Because of size limitations, this camera had not been affixed with the standard identification utilized by the PAO. A smaller identification tag has been affixed. All new equipment has been affixed with identification tags.”

9. Assign an employee, not involved in maintaining inventory records, to periodically reconcile the inventory records with both accounting records and the physical assets and investigate the differences.

OPA Response: OPA agreed with the recommendation, stating: “As has been indicated above, budget reductions, which have resulted in limited staffing, make complete segregation of duties within the administrative unit impractical. The PAO [i.e., Public Advocate’s Office] will attempt to have an employee independent of the inventory process periodically reconcile the inventory records.”

Weaknesses in Small Purchases

During the scope of our audit, OPA had one employee who placed orders, received goods, and processed the payments for small purchases. Moreover, OPA did not maintain adequate purchasing documentation and had limited supervision by managers to review and monitor the work performed. This is contrary to Comptroller’s Directive 1, which states, “To minimize the possibility of inefficiency, errors, and fraud, responsibility for a sequence of related operations should be divided among two or more persons.”

Through interviews with staff members, we found that OPA employees, including managers, are not always familiar with, nor have they received adequate training in, the appropriate Citywide purchasing policies and procedures. Therefore, internal agency policy and procedures do not fully comply with the citywide rules.

As a result we found the following deficiencies:

Vouchers Lack Supporting Documentation

Comptroller’s Directive 24 requires that “all documents used in the purchasing cycle eventually become a part of the open voucher file [package] pending payment to the vendor. Invoices received from vendors should be placed in . . . the open voucher file [package].” All the 50 randomly chosen small purchases, totaling \$15,538, that we reviewed lacked such necessary supporting documentation as approved requisition forms, certified receiving reports, and invoices in their voucher packages. This may be due to managers not reviewing the payment voucher package for completeness prior to authorizing payments. Thus, OPA may be paying an incorrect amount or paying for goods and services not received.

We advised OPA officials of this situation. The Director of Administration stated that in the future, OPA plans to put together complete voucher packages, including requisitions, purchase orders, invoices, receiving documents, payment vouchers, and checks.

Paid Invoices Not Marked Vouchered

Comptroller's Directive 24 requires that paid invoices be marked "vouchered" or stamped "paid". Thirty-nine of the 43⁵ paid invoices that we found in the voucher packages were not marked "vouchered" or "paid". OPA has no procedure for marking invoices when paid; therefore there is a risk that invoices may be paid more than once. In fact, we found one instance when OPA made duplicate payments of \$47.78 for cable service in August 2003.

Voucher Packages Not Properly Filed

Comptroller's Directive 24 requires that "completed voucher packages should be filed alphabetically by vendor". OPA files the voucher packages sequentially, by the payment voucher number, and does not maintain vendor files.

Since OPA does not maintain vendor files that show summaries of payments to the vendor, it is difficult for it to know how much it owes each vendor, and errors in payments may result. From our sampled invoices, we found two invoices for the same vendor who supplied Internet access to the office. One invoice (September 2003) indicated a past-due amount of \$560, and the second invoice (November 2003) indicated an overpayment of \$270. These errors in monthly payments to this vendor may have been prevented, had OPA maintained vendor files.

Vendors Invoices Paid Late

According to § 4-06 of the PPB rules, agencies are required to pay invoices within 30 days of receipt. OPA paid 14 (33%) of the 43 invoices that we found after 30 days. Ten (23%) of the 43 invoices that we reviewed showed prior unpaid balances, ranging from \$48 to \$1,964.

We discussed late payments and past due accounts with several OPA officials, who told us that an employee who is no longer involved with payments caused these problems. They further stated that the problems have since been corrected, and that all payments are now up-to-date. In our testing, we found that late payments and past-due accounts remained problems for OPA and may be due to inadequate management oversight. As a result, vendors may cancel needed services, include late charges on invoices, or resort to collection agencies for payment.

We brought these matters to the attention of OPA officials. Subsequently, the Director of Administration advised us that she is already reassigning various tasks and duties among her existing staff and implementing new procedures in order to minimize the possibility of inefficiency and errors and to increase supervisory oversight.

⁵ Of the 50 sampled purchase orders tested, we found 43 had an invoice attached.

Recommendations

OPA should:

10. Ensure that key duties and responsibilities in authorizing, processing, recording, and reviewing payment voucher packages are separated among individuals. For example, no single individual should be authorized to order merchandise, verify the receipt of goods, and pay the suppliers.
11. Ensure adequate oversight by management over the purchasing process and have payment voucher packages independently reviewed and verified by the Director of Administration, or another staff member not involved in the purchasing process, for completeness and correctness.
12. Require that management review the payment-voucher package to ensure that all supporting documents for any purchase are included before authorizing payment.
13. Implement a procedure to ensure that all invoices when paid, are stamped “vouchered” or “paid.”
14. Set up a folder for each vendor that includes a summary of all payments to the vendor as well as a copy of its completed payment voucher packages.
15. Ensure that all invoices are paid within 30 days of receipt.
16. Review all vendor invoices with prior unpaid balances to determine whether the charges are valid. If the balance is valid, OPA should pay it in full immediately. If the balance is not valid, OPA should communicate with the vendor to clear the balance.

OPA Response: OPA agreed with these seven recommendations, stating: “The PAO [i.e., Public Advocate’s Office] has addressed the deficiencies noted by redefining the roles of certain staff and removing other staff in order to comply with citywide rules and agency policies. The PAO has implemented a system whereby purchasing, goods received, and bill payments/authorizations are handled by three (3) separate staffers. The process will be overseen and reviewed by the Director of Administration to ensure prompt and accurate payments. In addition, the Director of Administration has been instructed to ensure that complete voucher packages containing requisition forms, certified receiving reports, and invoices are properly maintained. The Director will review and verify before approving payment. The process for the payment of invoices has been implemented, so that invoices are stamped ‘vouchered’ and copies of checks are stamped ‘paid’.

“Folders separating vendors with a summary of payments have been set up for FY04. This has become standard operating procedure. Invoices will be paid in a timely fashion, and any billing discrepancies will be immediately reported to the vendor.”

Failure to Solicit Bids

Our review of OPA purchasing practices disclosed that OPA fails to solicit bids when required. According to § 3-08 of the PPB rules, “[for] procurements in value over \$5,000 through the small purchase limits⁶ at least five suppliers shall be solicited . . . and a procurement file record should be kept.” According to Comptroller’s Directive 1, for procurements above the small-purchase limits, agencies should use competitive, sealed bids or proposals (Request for Proposal, otherwise known as an RFP).

For example, based upon FMS data, OPA spent a total of \$393,743 in Fiscal Year 2003 with four vendors on its “Computer Capital Upgrade Project” as detailed in Table II:

Table II
Breakdown of Vendor Payments
Computer Capital Upgrade Project

Vendor	Description of Goods/Services	Amount
CRA (Sys. Appl. In)	Servers & Hardware	\$183,058
Aristotle	Proprietary Database	\$91,800
MarkNet Group	Web Site Development	\$67,600
CDW-G	Office Communications/Printers	\$51,285
Total \$		\$393,743

All of these purchases were above the \$5,000 level, which required soliciting bids. We found that OPA has neither documentation in its procurement file to show that it solicited bids from at least five vendors, nor explanations regarding how the chosen vendors were selected. In fact, one OPA official confirmed that bids were not solicited for this project.

In addition, for the \$183,058 purchase, which exceeded the small purchase limit of \$100,000 for technology, an RFP and sealed bids were required. PPB rules also require that vendors paid more than \$100,000 go through a VENDEX⁷ investigation before a contract is awarded. However, for this purchase, OPA did not prepare an RFP, solicit competitive sealed bids, or VENDEX the vendor as required.

As a result, OPA did not comply with Comptroller’s Directive 1 and PPB rules, and may have paid more than necessary for the goods and services it purchased. In addition, by not maintaining adequate records of how vendors were selected, OPA fails to provide valid support of its selected vendors.

⁶ Small Purchase Limits are defined by PPB rules as “purchases of over \$25,000 for goods . . . \$50,000 for services . . . or \$100,000 for information technology in a year”.

⁷ According to PPB rules, a VENDEX investigation is required for awards of a contract of \$100,000 or more, or if, when aggregated with all other contracts awarded to the same vendor during the preceding 12-month period, spending adds up to \$100,000 or more.

Recommendation

17. OPA should obtain at least five bids for all purchases over \$5,000, when required, and maintain detailed documentation in a procurement file of the purchasing process, including how the vendor was selected.

OPA Response: OPA agreed with the recommendation, stating: “The PAO [i.e., Public Advocate’s Office] agrees with the Comptroller’s recommendation of compliance with PPB rules and with Comptroller’s Directive #1 and will ensure full compliance in all aspects in the future.” However, OPA also stated that: “The PAO does solicit bids when required and has utilized the Request for Proposal process (RFP). In reference to the Capital Technology Upgrade Project, bids were solicited from five vendors and these bids were shown to the Comptroller’s office. A bid sheet was used and attached to the voucher package.”

Auditor’s Response: During the audit, an OPA official told us that they did not use RFPs to solicit bids for the Computer Upgrade Project. In addition, the bid sheet provided to the auditors supported our finding that OPA did not solicit bids from five separate vendors for each element of the project. Rather, the documentation shows that though five vendors were contacted by OPA, each vendor was contacted for a different element of the project.

Services Provided Without A Contract

OPA does not have a written contract with the Fund for Public Advocacy, Inc. (The Fund)⁸ as required by §1-01 of the PPB rules. The Fund and OPA have a joint program called The Child Welfare Project (CWP) that provides impartial advocacy and ombudsman services to individuals and families involved in the city’s child welfare system. During the scope of our audit, CWP was located in OPA offices in the Municipal Building. We observed OPA sharing staff and equipment with CWP. According to the OPA Director of Administration, CWP started many years ago, during the prior administration, was continued by the current administration, and ended in April 2004. The Fund’s Executive Director confirmed that there had never been a contract between the Fund and OPA.

Recommendation

18. OPA should enter into a written contract with an organization that provides it with services. The contract should establish specific objectives and evaluation criteria.

OPA Response: OPA agreed with the recommendation, stating: “The PAO [i.e., Public Advocate’s Office] will enter into a contract with the Fund for Public Advocacy.”

⁸ The Fund for Public Advocacy, Inc. is a not-for-profit organization created to expand the reach of the Public Advocate’s Office during a time of fiscal crisis.

Other Minor Matters

During the audit, we also found the following deficiencies, which although minor, need to be addressed by the agency:

Employees not paid within salary ranges of their titles

We found eight employees who were paid outside the salary ranges of their Civil Service Titles. According to the City Career and Salary Plan, there are minimum and maximum pay rates for each job title so that “fair and comparable pay” is provided “for comparable work.” As of December 31, 2003, according to PMS records, one employee in the title code #94502 (Research Analyst to the Public Advocate) was being paid above the maximum salary of the title (\$77,500) and seven employees in the title code #94497 (Assistant to the Public Advocate-Research & Planning) were being paid below the minimum salary of their title (\$42,349).

Manager approving payments is also a signatory on Imprest Fund Account

Based upon our review, the Deputy Chief of Staff, who approves all the payments, is currently authorized to sign checks. This is contrary to Comptroller’s Directive 3, which requires that those two functions be separated. Although we did not find any checks signed by this official, it would be prudent to remove him from those authorized to sign checks.

Non-compliance with fiscal year-end closing requirements

OPA does not comply with Comptroller’s Directive 3, which requires all agencies to follow closing instructions each year and send a certified statement of year-end Imprest Fund cash balances and paid invoices, for which a replenishment voucher was not submitted to the Comptroller’s Office. The submission of a final accounting will allow the Comptroller’s Office to prepare the appropriate journal entry based on this information. During the review of the 36 sampled Imprest Funds expenses, we found two instances in which the goods were delivered in Fiscal Year 2003 and the expenses were charged to Fiscal Year 2004.

Purchases charged to incorrect object codes

We found that OPA incorrectly coded 15 (30%) of the 50 sampled purchases. These purchases totaled \$6,121 and included newspaper deliveries, data supplies, and services. According to Comptroller’s Directive 24, §8.4 (b) (9), a reviewer should examine the accounting and budget codes used for each purchase to assure that the proper budget lines are charged. Using correct codes is important and allows management the ability to better budget future expenses.

Recommendations

OPA should:

19. Revise the employees' civil service title classifications.

OPA Response: OPA agreed with the recommendation, stating: "The PAO [i.e., Public Advocate's Office] is in the process of revising the employees' civil service title classifications."

20. Remove the Deputy Chief of Staff from those authorized to sign checks on the Imprest Fund Account.

OPA Response: OPA agreed with the recommendation, stating: "The PAO [i.e., Public Advocate's Office] has taken the necessary action to remove the Deputy Chief of Staff as a signatory on the PAO's Imprest Fund Account."

21. Follow the Comptroller's year-end closing procedures.

OPA Response: OPA officials disagreed with the recommendation, maintaining that they had already complied, and stated: "On July 17, 2003, the PAO [i.e., Public Advocate's Office] submitted the year-end electronic closing documents for FY2003."

Auditor Comment: While we agree that OPA submitted a year-end closing document for its Imprest Fund for Fiscal Year 2003, this document did not identify the two Fiscal Year 2003 expenses paid in Fiscal Year 2004, as required.

22. Review the designations for each object code and ensure that purchases are charged to the correct object codes.

OPA Response: OPA did not address this recommendation in its response.

Implementation Status of 26 Prior Audit Recommendations*

#	DESCRIPTION OF RECOMMENDATION	YES **	NO **	PARTIAL **	REMAIN OUTSTANDING ***
1	Use purchase requisitions.		X		NA
2	Assign sequential numbers to purchase requisitions.		X		NA
3	Maintain a log of purchase requisitions.		X		NA
4	Prepare and maintain complete voucher package that includes copies of related requisitions, purchase orders, inspection and receiving documents, invoices, and payment vouchers.		X		X
5	Certify in writing that quantities on invoices were compared to quantities on receiving reports or packing slips.	X			X
6	Authorized individuals should sign payment vouchers.			X	NA
7	Segregate the duties of the purchasing functions.			X	X
8	Obtain bids for all purchases exceeding \$2,500.			X	X
9	Use City of New York requirement contracts.		X		NA
10	Obtain office supplies from DCAS storehouse.			X	NA
11	Comply with Comptroller's fiscal year-end closing procedures.			X	X
12	Include computer serial #s on inventory list.	X			X
13	Segregate the duties for Imprest Funds payments.	X			
14	Follow up on outstanding Imprest Funds checks.		X		NA
15	Maintain an Imprest Funds log.	X			
16	Ensure evidence of supporting receipts for Imprest Fund payments.	X			
17	Use PMS to maintain employee leave balances.		X		X
18	Employees must sign for paychecks.	X			
19	Keep daily attendance records for all employees.			X	X
20	Exercise stronger supervision over timekeeping & payroll functions.			X	X
21	Determine whether five specific employees had unauthorized absences in Sept. 1994 that were not charged to their leave balances.	NA			
22	Train timekeepers to follow time and leave regulations.			X	X
23	Provide adequate supervision over timekeeping function.			X	X
24	Timekeeper should not process incomplete employee records.			X	X
25	Attempt to collect moneys overpaid to three employees upon separation.	X			NA
26	Ensure that expenditures are properly classified and charged to the correct object codes.	X			X
TOTALS NA = Not Applicable		8 (31%)	7 (27%)	10 (38%)	

* "Audit Report on the Financial and Operating Practices of the Office of the Public Advocate" (#FP96-096A) issued June 26, 1996, contained recommendations #1-#24 and its follow-up audit (#FP99-073F) issued August 18, 1999, contained recommendations #25 and #26.

** OPA Director of Administration advised us on the implementation status of these prior audit recommendations (yes/no/partial).

*** Based on our current audit, these recommendations remain outstanding.



The Public Advocate for the City of New York

Betsy Gotbaum
Public Advocate

June 9, 2004

Mr. Greg Brooks
Deputy Comptroller
Policy, Audits, Accountancy & Contracts
Office of the Comptroller
1 Centre Street
New York, NY 10007

Re: Agency Response to Audit Report on the Financial and Operating
Practices of the Office of the Public Advocate:
Audit Number: MH04-135A

Dear Mr. Brooks:

Thank you for the opportunity to review and respond to the findings and recommendations in the most recent draft of your Audit of the Financial and Operating Practices of the Office of the Public Advocate (MH04-135A). We would like to thank the Office of the Comptroller for the professional and thorough manner in which they conducted this audit. Although we do not agree with some of the findings, we believe that the audit process and the recommendations will lead to a more effective internal management process.

One of the challenges faced by the Public Advocate's office (PAO) has been the transition between administrations. To ensure a smooth transition it would be helpful if the City and in particular the Comptroller's Office would assist the new administration in setting standard operating procedures and in determining the deficiencies noted in past audits. An orientation course specifically geared to administrative matters would be most helpful.

One of the frequent findings in the audit is related to the segregation of duties. In comparison to other citywide elected offices, this office is extremely small and understaffed. This staffing issue became more acute six months into office when the budget of the PAO was reduced by 40%, leaving only 28 full-time staff during this audit period.

As has been noted, many of the recommendations made during the audit process have been implemented. Outstanding recommendations will take time to implement, but the PAO will strive to ensure full implementation in the near future.

The Comptroller's office stated that the response to the audit draft should only address the recommendations. Accordingly, the PAO will respond directly to the recommendations outlined in the audit:



Failure to Submit Financial Integrity Statement

(Recommendation #1)

On March 24, 2004, Directive #1 was delivered to the Comptroller's Office. An additional required document was delivered to the Comptroller's Office on June 8, 2004. In the future, Directive #1 will be submitted in a timely matter.

Weakness in Personnel, Payroll, and Timekeeping

(Recommendations #2, #3, #4 and #5)

As of January 11, 2004, the PAO has taken the following steps to comply with the recommendations in this section:

- a) The timekeeping function within the Administrative Unit has been transferred from the Director of Administration to a staff member within the unit.
- b) All administrative personnel have been instructed to attend Office of Payroll Administration (OPA) and FISA trainings. Trainings that have already been completed include PMS Basic Time Keeping, FMS Basic ILT 106, FMS ILT321-Procurement Functions, and Office Year End Closing Instruction.
- c) We anticipate that payroll management will be transferred from the Director of Administration to another staff member within the unit (a staff member who is not timekeeper) by fall of 2005.
- d) The Director of Administration will oversee time keeping and payroll to ensure accurate and complete information
- e) All personnel files have been reviewed and updated so that all documentation is complete. The Director of Administration has been instructed that no new staff will be processed and added to the Payroll without a complete file. With respect to time and leave procedures, the PAO is implementing new time and leave procedures and forms. The Director and the timekeeper have been instructed not to process timesheets without the proper authorizations.
- f) Under the prior administration's policy, annual leave balances exceeded the two-year limit. This practice was changed in January, 2003. Given the fact that the employees with excess leave balances are in senior management positions, the PAO believes at this time that a plan to use the excess leave time would be detrimental to the agency. In the future, the PAO will encourage those employees with excess leave time to achieve total compliance with the PAO's policy.

PMS Not Used to Record Employee Leave Balances

(Recommendation #6)

The PAO is currently transferring leave balances to the City's Payroll Management System (PMS) and is receiving training from the Office of Payroll Administration. The transfer will be implemented by Fiscal Year 2005. The PAO expects that, with the cooperation of OPA, the Administrative staff will be utilizing PMS by July 2005.

Inadequate Controls over Physical Assets (Inventory)

(Recommendations #7, #8, #9)

The PAO does indeed maintain detailed inventory lists; however, the PAO is in agreement that a master list should be kept with inventory and serial numbers. We have begun to compile this master list and to reconcile it with our accounting records. The master list will also be periodically reconciled and spot checked. With respect to the inventory list noted in Table 1, page 11, we respectfully disagree with the Comptroller's findings. The three computer servers noted were in fact memory boards, which were installed in the computer servers; however, the PAO acknowledges that these memory boards should have been separately noted on the inventory list (without identification numbers due to the nature of the installation). The Comptroller's office was also shown an inventory list that **did** have sixty computers.

The PAO does affix standard identification labels to equipment. The example noted in the draft audit was of a small digital camera. Because of size limitations, this camera had not been affixed with the standard identification utilized by the PAO. A smaller identification tag has been affixed. All new equipment has been affixed with identification tags.

As has been indicated above, budget reductions, which have resulted in limited staffing, make complete segregation of duties within the administrative unit impractical. The PAO will attempt to have an employee independent of the inventory process periodically reconcile the inventory records.

Weakness in Small Purchases

(Recommendations #10, #11, #12, #13, #14, #15 and #16)

The PAO has addressed the deficiencies noted by redefining the roles of certain staff and removing other staff in order to comply with citywide rules and agency policies. The PAO has implemented a system whereby purchasing, goods received, and bill payments/authorizations are handled by three (3) separate staffers. The process will be overseen and reviewed by the Director of Administration to ensure prompt and accurate payments. In addition, the Director of Administration has been instructed to ensure that complete voucher packages containing requisition forms, certified receiving reports, and invoices are properly maintained. The Director will review and verify before approving payment. The process for the payment of invoices has been implemented, so that invoices are stamped "vouchered" and copies of checks are stamped "paid."

Folders separating vendors with a summary of payments have been set up for FY04. This has become standard operating procedure. Invoices will be paid in a timely fashion, and any billing discrepancies will be immediately reported to the vendor.

Failure to Solicit Bids

(Recommendation #17)

The PAO does solicit bids when required and has utilized the Request for Proposal process (RFP). In reference to the Capital Technology Upgrade Project, bids were solicited from five vendors and these bids were shown to the Comptroller's office. A bid sheet was used and attached to the voucher package. The PAO agrees with the Comptroller's recommendation of compliance with PPB rules and with Comptroller's Directive #1 and will ensure full compliance in all aspects in the future.

Services Provided Without a Contract

(Recommendation #18)

The Fund for Public Advocacy, Inc. (FPA) is an outgrowth of the Child Welfare Project, which began under the prior Public Advocate's administration. Throughout FPA's creation and during the life of the Child Welfare Project, the Conflict of Interest Board was made aware of both its existence and its relationship with the PAO and had given this office its approval. In prior audits by the Comptroller's office, the lack of a contract between the PAO and the Child Welfare Project had not been identified as a problem. The PAO will enter into a contract with the Fund for Public Advocacy.

Other Minor Matters

(Recommendations #19, #20, #21, #22)

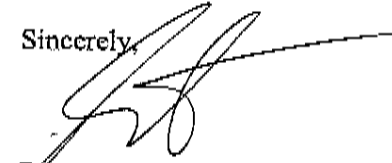
The PAO is in the process of revising the employees' civil service title classifications.

The PAO has taken the necessary action to remove the Deputy Chief of Staff as a signatory on the PAO's Imprest Fund Account.

On July 17, 2003, the PAO submitted the year-end electronic closing documents for FY 2003.

The PAO is committed to complying with the standard financial and operating procedures of the City of New York. This audit will help the PAO to continue to meet that goal and maintain the fiscal integrity of the Office.

Sincerely,



Ramon Martinez
Senior Advisor