

# AUDIT REPORT

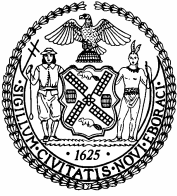


CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
BUREAU OF FINANCIAL AUDIT  
**WILLIAM C. THOMPSON, JR., COMPTROLLER**

## **Audit Report on the Financial and Operating Practices of The New York City Tax Commission**

*FP07-090A*

**June 13, 2007**



THE CITY OF NEW YORK  
DEPARTMENT 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 compliance of the New York City Tax Commission with certain purchasing and inventory procedures.

The Tax Commission conducts administrative reviews requested by those seeking corrections of real property tax assessments set by the Department of Finance. We audit City agencies such as this to ensure that they comply with procurement rules and inventory control procedures.

The results of our audit, which are presented in this report, have been discussed with the Tax Commission officials, and their comments have been considered in the preparation of this report. Their complete written response is attached to this report.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please e-mail my audit bureau at [audit@Comptroller.nyc.gov](mailto:audit@Comptroller.nyc.gov) or telephone my office at 212-669-3747.

Very truly yours,

William C. Thompson, Jr.

WCT/fh

**Report: FP07-090A**  
**Filed: June 13, 2007**

*Table of Contents*

**AUDIT REPORT IN BRIEF** ..... 1

    Audit Findings and Conclusions ..... 1

    Audit Recommendations ..... 2

**INTRODUCTION**..... 3

    Background..... 3

    Objectives ..... 3

    Scope and Methodology ..... 3

    Discussion of Audit Results ..... 4

**FINDINGS AND RECOMMENDATIONS** ..... 5

    Incorrect Object Codes ..... 5

        Recommendation..... 5

    Personal Expense Reimbursement Forms Did Not Include Sufficient Information ..... 6

        Recommendations ..... 6

    Lack of Some Invoices and Receipts..... 6

        Recommendation..... 7

    Inventory Control Weaknesses ..... 7

        Recommendation..... 7

**ADDENDUM** Response from the Tax Commission

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

**Audit Report on the  
Financial and Operating Practices of the  
New York City Tax Commission**

**FP07-090A**

---

**AUDIT REPORT IN BRIEF**

This audit determined whether the New York City Tax Commission (Tax Commission) is complying with certain purchasing and inventory procedures as set forth in the New York City Comptroller's Internal Control and Accountability Directives (Comptroller's Directives) #6 and #24; applicable Procurement Policy Board (PPB) rules; and the Department of Investigation (DOI) *Standards for Inventory Control and Management*.

**Audit Findings and Conclusions**

The Tax Commission generally adhered to Comptroller's Directives #6 and #24; applicable Procurement Policy Board rules; and the DOI *Standards for Inventory Control and Management*. In addition, our examination of the Tax Commission's Other Than Personal Service expenditures disclosed no instances in which moneys were improperly used. However, the Tax Commission did not fully comply with the certain purchasing and inventory procedures. Specifically the Tax Commission:

- Charged the incorrect object code for 25 vouchers, totaling \$1,304, of the 170 vouchers issued during Fiscal Year 2006;
- Did not always properly complete the personal expense reimbursement forms. Ten out of 34 personal expense forms, totaling \$825.11, did not detail the particulars of the expenditures. Specifically, the personal expense forms did not always list the travel locations, total miles traveled, and City vehicle identification number;
- Lacked supporting documentation for four purchases, totaling \$163.75, made by employees and submitted for reimbursement; and
- Did not maintain complete and accurate inventory records.

### **Audit Recommendations**

We make the following five recommendations. The Tax Commission should ensure that:

- All payments are charged to the correct object code.
- Employees include the travel itinerary and total miles traveled between each destination when using a personal vehicle for City business.
- Employees include the vehicle identification number when using a City-owned vehicle.
- All payment vouchers are accompanied by appropriate invoices or receipts.
- Complete and accurate records of all equipment items are maintained.

## INTRODUCTION

### Background

The New York City Tax Commission serves as an administrative review body for real property assessments set by the New York City Department of Finance. The Tax Commission's principle responsibilities include reviewing "applications for correction" of real estate assessments, analyzing the claims on these applications, conducting hearings, rendering determinations, ordering remedial action where appropriate, and issuing written notifications of outcome in connection with annual applications for correction of real property tax assessments. The Tax Commission consists of a President (the agency head) and six part-time commissioners appointed by the Mayor to six-year terms.

During Fiscal Year 2006, Other Than Personal Service (OTPS) expenditures for the Tax Commission amounted to \$89,073.

### Objectives

This audit was conducted to determine whether the Tax Commission is complying with certain purchasing and inventory procedures as set forth in the New York City Comptroller's Internal Control and Accountability Directives #6 and #24; applicable Procurement Policy Board rules; and the Department of Investigation *Standards for Inventory Control and Management*.

### Scope and Methodology

This audit covered the period July 1, 2005, through June 30, 2006.

To obtain an understanding of the purchasing and inventory procedures and regulations with which the Tax Commission is required to comply, we reviewed relevant provisions of: Comptroller's Directives #6, "Travel, Meals, Lodging and Miscellaneous Agency Expenses"; #24 "Agency Purchasing Procedures and Controls"; applicable Procurement Policy Board (PPB) rules; and the Department of Investigation *Standards for Inventory Control and Management*. We also reviewed the Tax Commission's Directive #1 Financial Integrity Statement filing for Calendar Year 2005. We interviewed staff at the Tax Commission to obtain an understanding of the purchasing procedures, and to determine how physical assets are safeguarded.

#### **Tests of Compliance with Comptroller's Directives #6, #24, and PPB rules**

We examined all 54 purchase documents issued by the Tax Commission (7 purchase orders; 44 micro-purchase documents for purchases of \$5,000 or less; 2 small purchase documents for purchases of at least \$2,500 using other than capital funds; and 1 Requirements Contract Release Order, which is used to release other than capital funds for a Requirements Contract), and the 161 corresponding vouchers. We also examined all 9 miscellaneous vouchers.

Each purchase document and voucher was examined for the requisite approvals and authorizations; evidence that the transactions were for proper business purposes; and adequate documentation. It was also determined whether the proper purchase document was used to initiate the purchase of goods or services. Each of the 170 vouchers was examined to ascertain whether: it was properly coded; an authorized purchase document was on file; sales and excise taxes, if applicable, were properly excluded from payments; and bids were obtained when required by PPB rules. For the 9 miscellaneous vouchers, we also determined whether the vouchers were issued for only allowable purposes.

### **Tests of Inventory Records and Compliance with DOI Inventory Standards**

We randomly selected 25 of 153 major equipment items (including personal computers, monitors, printers, scanners, laptops, fax machines, VCRs, televisions, and time and date stamp machines) listed on the Tax Commission's most current inventory records, received on January 10, 2007, and determined whether they were found at the office. We also determined whether 25 other equipment items that we observed in the Tax Commission's office during our walkthrough and two vehicles owned by the Tax Commission were listed on the Tax Commission's inventory records. In addition, we checked whether all items examined were properly tagged as property of the Tax Commission. Finally, we ascertained whether the 22 major equipment items purchased during our audit period were properly recorded on the Tax Commission's inventory records and determined whether they were found at the office. The results of the above tests of 74 inventory items, while not projectable to all major equipment items, provided a reasonable basis to assess the Tax Commission's controls over inventory as specified in the DOI *Standards for Inventory Control and Management*.

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 Tax Commission officials during and at the conclusion of this audit. A preliminary draft report was sent to the Tax Commission and was discussed at an exit conference held on April 5, 2007. On April 11, 2007, we submitted a draft report to Tax Commission officials with a request for comments. We received a written response from the Tax Commission on April 25, 2007. In its response, the Tax Commission agreed with all of the recommendations.

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

## **FINDINGS AND RECOMMENDATIONS**

The Tax Commission generally adhered to Comptroller's Directives #6 and #24; applicable Procurement Policy Board rules; and the DOI *Standards for Inventory Control and Management*. In this regard:

- The amounts paid to vendors were properly calculated and excluded sales tax;
- All major equipment purchased during Fiscal Year 2006 was accounted for;
- All major equipment selected for inventory testing was found.

In addition, our examination of the Tax Commission's Other Than Personal Service expenditures disclosed no instances in which moneys were improperly used. However, the Tax Commission did not fully comply with certain requirements. These minor instances of noncompliance, which did not detract from our opinion, are discussed in detail in the following sections of this report.

### **Incorrect Object Codes**

The Tax Commission charged the incorrect object code for 25 vouchers, totaling \$1,304, of the 170 vouchers issued during Fiscal Year 2006. For example, for the water cooler rentals the agency used object code 100 "Supplies and Materials – General"; however, the Chart of Accounts indicates a more specific object code should be used. In this case, Object code 403 "Office Services" indicates charges should include rentals of water coolers. The Tax Commission also charged bottled water to object code 100. However, a more appropriate code would be object code 110 "Food and Forage Supplies." Charges to this object code include "all provisions used for human and animal consumption."

Using incorrect object codes does not allow agencies to categorize accurately the type and amount of a particular item expense during the fiscal year. This can compromise management's ability to plan future budgets.

### **Recommendation**

1. The Tax Commission should ensure that all payments are charged to the correct object code.

***Tax Commission Response:*** "The procurement staff has been instructed that for fiscal year 2008 the rental of water coolers will be charged to object code 403 and the bottled water will be charged to object code 110."



**Personal Expense Reimbursement Forms  
Did Not Include Sufficient Information**

The Tax Commission did not always properly complete the personal expense reimbursement forms. We found that 10 out of 34 personal expense forms, totaling \$825.11 did not detail the particulars of the expenditures. Specifically, the personal expense forms did not always list the travel locations, total miles traveled, and City vehicle identification number.

Directive #6 states that if a personal vehicle is used, an employee should include the travel itinerary listing each stop, the initial and ending odometer readings, and the calculation of total miles by the mileage allowance rate. If a City-owned vehicle is used, the employee should include the agency-assigned vehicle number on the expense forms.

**Recommendations**

The Tax Commission should ensure that employees include:

2. The travel itinerary and total miles traveled between each destination when using a personal vehicle for City business.
3. The vehicle identification number when using a City-owned vehicle.

***Tax Commission Response:*** “The vouchers that were processed in fiscal year 2006 for travel expense reimbursement did not have the starting point listed, although the forms did note the blocks and lots of the properties that were reviewed. In order to ensure that the Tax Commission complies with Comptroller’s Directive #6, the agency has developed a new travel reimbursement form to be completed by staff using their own vehicles for site visits. The form requires starting and finishing mileage as well as destinations and total miles traveled.

“For staff members using agency vehicles, it has been brought to all concerned via management that more detail will be required in the preparation of expense forms relating to City owned vehicles.”

**Lack of Some Invoices and Receipts**

Four purchases totaling \$163.75 made by employees and submitted for reimbursement lacked either the invoice or receipt. The four purchases included a Metro-North Railroad fee, two bridge tolls, and tuition for a seminar. Good internal controls require that invoices and receipts are maintained to support purchases.

Directive #6 requires that vouchers are paid only if they are accompanied by appropriate invoices or receipts.

### **Recommendation**

4. The Tax Commission should ensure that all payment vouchers are accompanied by appropriate invoices or receipts.

***Tax Commission Response:*** “Staff members seeking reimbursement for allowable expenses have been advised that reimbursements will not be processed unless receipts and/or relevant affidavits are provided outlining the expense.”

### **Inventory Control Weaknesses**

The Tax Commission’s inventory list consisted of 153 equipment items. We tested a sample of 74 items—25 items from the Tax Commission’s inventory list, 25 equipment items observed at the time of the walkthrough, 2 vehicles owned by the Tax Commission, and 22 items purchased by the Tax Commission during our audit period. Our review of the Tax Commission’s inventory list revealed that some of the records were incomplete, inaccurate, or contained identification errors. Specifically:

- 14 items had the incorrect location on the inventory list;
- 12 items had an incorrect serial number on the inventory list;
- 9 items were not included on the inventory list;
- 5 items lacked tags on the equipment;
- 4 items did not have a serial number on the inventory list;
- 3 items had the incorrect tag number on the inventory list; and
- 1 item did not have the tag number on the inventory list even though the item was tagged.

In addition, the Tax Commission did not maintain an inventory list for its vehicles. However, after we brought it to their attention, the Tax Commission created a vehicle inventory list.

Section 28 of the DOI *Standards for Inventory Control and Management* states, “Permanent records are maintained, centrally, to track all non-consumable goods issued to each agency unit, including type of equipment, manufacturer, serial number, agency control number, condition, location, date issued, and the person(s) responsible for maintenance.”

### **Recommendation**

5. The Tax Commission should ensure that complete and accurate records of all equipment items are maintained.

***Tax Commission Response:*** “Items not at specified location on inventory list were the result of the IT group reallocating the equipment. To correct this situation, the IT group informs the staff member responsible for the inventory list whenever equipment is relocated.

“Items not included on the inventory list consisted of items staff did not classify as equipment, i.e. exterior hard drives. This situation has been remedied by tagging and listing those items as part of the inventory and re-evaluating the criteria for items to be added.

“Items that were missing tags were replaced.

“The serial numbers that were missing from the inventory list have been added. There were difficulties in reading those numbers.”



GLENN NEWMAN  
President

THE CITY OF NEW YORK  
TAX COMMISSION

Telephone: (212) 669-4401  
E-Mail: [gnewman@taxcomm.nyc.gov](mailto:gnewman@taxcomm.nyc.gov)

Municipal Building  
1 Centre Street  
New York, NY 10007

April 25, 2007

John Graham, Deputy Comptroller  
Audits, Accountancy and Contracts  
New York City Office of the Comptroller  
1 Centre Street  
New York, NY 10007

Re: Response to Audit Report on the Financial and Operating Practices of the  
New York City Tax Commission

Audit Number FP07-090A

Dear Mr. Graham:

The Tax Commission has thoroughly reviewed the draft report on the referenced audit and would like to thank your staff for the professional manner in which the audit was conducted and the courtesy shown to my staff during the course of the audit.

We basically concur with the audit's recommendations and have instituted the following changes:

**Incorrect object code charged**

On the finding that the Tax Commission charged the incorrect object code for 25 of the 170 vouchers issued during fiscal year 2006, 23 of the cited vouchers were for rental of water coolers and the payments for bottled water.

- The procurement staff has been instructed that for fiscal year 2008 the rental of water coolers will be charged to object code 403 and the bottled water will be charged to object code 110.

**Personal Expense Forms**

On the finding that the Tax Commission's staff did not always properly complete expense reimbursement forms by not detailing the particulars of the expenditure including the travel location, mileage traveled and, if using one of the City vehicles, the total miles traveled and the vehicle identification.

- Staff members seeking reimbursement for allowable expenses have been advised that reimbursements will not be processed unless receipts and/or relevant affidavits are provided outlining the expense.

- The vouchers that were processed in fiscal year 2006 for travel expense reimbursement did not have the starting point listed, although the forms did note the blocks and lots of the properties that were reviewed. In order to ensure that the Tax Commission complies with Comptroller's Directive #6, the agency has developed a new travel reimbursement form to be completed by staff using their own vehicles for site visits. The form requires starting and finishing mileage as well as destinations and total miles traveled.
- For staff members using agency vehicles, it has been brought to all concerned via management that more detail will be required in the preparation of expense forms relating to City owned vehicles.

### Inventory Records

Concerning the findings that the Tax Commission does not have an adequate and complete inventory records, that items on the inventory list were not in the location noted on the inventory list, that some items were not included, that some items were missing tags, that several items did not have serial numbers on the inventory list, that several items had incorrect tag numbers and that one number was not on the inventory list although the item was tagged. The Tax Commission will be making every effort to keep the inventory list current and accurate.

- Items not at specified location on inventory list were the result of the IT group reallocating the equipment. To correct this situation, the IT group informs the staff member responsible for the inventory list whenever equipment is relocated.
- Items not included on the inventory list consisted of items staff did not classify as equipment, i.e. exterior hard drives. This situation has been remedied by tagging and listing those items as part of the inventory and re-evaluating the criteria for items to be added.
- Items that were missing tags were replaced.
- The serial numbers that were missing from the inventory list have been added. There were difficulties in reading those numbers.

Thank you for your recommendations. We feel that we have made progress on most of them and will continue to comply with purchasing and inventory procedures as set forth in the New York City Internal Control and Accountability Directives #6 and #24, applicable Procurement and Policy Board rules and the Department of Investigation Standards of Inventory Control and Management.

Sincerely,



Glenn Newman

c: Lawrence Welgrin