NEW YORK CITY DEPARTMENT OF CORRECTION
Dora B. Schriro, Commissioner

Office of the Commissioner
75-20 Astoria Boulevard, Suite 305
East Elmhurst, N.Y. 11370
Tel: 718-546-0890
Fax: 718-278-6022

February 19, 2010

Frank Houston, Audit Director
Office of the Comptroller
Division of State Government Accountability
123 William Street – 21st Floor
New York, N. Y. 10038

Dear Mr. Houston,

Attached is the New York City Department of Correction's Status Report, advising what steps have been taken to implement the recommendations contained in the Final Audit Report 2009-N-3, entitled Controls and Accountability over Bail Funds – Manhattan Detention Complex.

If you have any questions regarding this response, kindly contact Joel Lampert, Agency Audit Liaison, at (718) 546-0646.

Sincerely,

Dora B. Schriro

New York City Department of Correction Status Report

Audit Report on Controls and Accountability over Bail Funds Manhattan Detention Complex

Recommendation # 1

Store Bail Funds in a secure manner while they are awaiting transfer to the Bail Drop Safe.

Status of Corrective Action: **Updated Action Not Required – Corrective Action Reported As Implemented in Agency Response of October 5, 2009**

Agency Response Dated October 5, 2009

A small safe, used expressly for the temporary storage of bail funds awaiting transfer to the Bail Drop Safe, has been procured and placed in the facility's General Office.

Recommendation #2(a)

Ensure that the monthly bank reconciliations for the Bail Account are performed properly by providing appropriate training to the staff who maintain the check register and perform the reconciliations.

Status of Corrective Action: **Partially Implemented**

Agency Response Dated October 5, 2009

The Department's Financial Services Division will revise the existing Bail and Fine Bank Reconciliation cover sheet for use by the facility this calendar year to provide a clear distinction between bank statement balances and check register balances. A running balance will be maintained in the check register to ensure that the bank statement balance and the check register balance agree as to the amount of money in the Bail and Fine account. Appropriate training will be given to facility staff responsible for maintaining the check register and performing the monthly bank reconciliations.

Updated Action Taken

The Financial Services Division is in the process of drafting a revised Bail and Fine Reconciliation Cover Sheet for use by the facility beginning in March. Action competed include a running balance that is now being maintained in the MDC check register to ensure that the bank statement balance and the check register balance agree as to the amount of money in the bail account. In addition, appropriate training has been given to facility staff responsible for maintaining the check register and performing the monthly bank reconciliations.

Recommendation #2(b)

Ensure that the monthly bank reconciliations for the Bail Account are performed properly by having the reconciliations verified and reviewed by the facility's Deputy Warden for Administration and Warden.

Status of Corrective Action: **Updated Action Not Required – Corrective Action Reported As Implemented in Agency Response of October 5, 2009**

Agency Response Dated October 5, 2009

We acknowledge that 4 of the 24 bank reconciliations reviewed by the auditors did not contain a verification signature by facility management. These four signature omissions on the reconciliations pre-date the implementation of a new procedure in November 2008, requiring the Financial Services Division to review these documents to ensure appropriate signatures are affixed, and when necessary, inform facility management to facilitate correction.

Recommendation #2(c)

Ensure that the monthly bank reconciliations for the Bail Account are performed properly by forwarding copies of the reconciliations to the Financial Services Division within 25 calendar days of the bank statement date.

Status of Corrective Action: **Updated Action Not Required – Corrective Action Reported As Implemented in Agency Response of October 5, 2009**

Agency Response Dated October 5, 2009

An additional facility staff member has now been identified to complete the bank reconciliations timely, whenever the individual who is responsible for preparing the reconciliations is unavailable. Additionally, the Financial Services Division provides written notification to facility management if the bank reconciliations are not submitted on time.

Recommendation #2(d)

Ensure that the monthly bank reconciliations for the Bail Account are performed properly by instructing the Financial Services Division to closely monitor the reconciliations and take prompt corrective action when the reconciliations are not performed properly.

Status of Corrective Action: **Updated Action Not Required – Corrective Action Reported As Implemented in Agency Response of October 5, 2009**

Agency Response Dated October 5, 2009

The Financial Services Division monitors the submission of bank reconciliations by notifying facility management in writing when they are not submitted to the Division in a timely manner. The facility will begin immediately to document any contacts with the bank when requests for supporting documentation hinder the timely preparation of the reconciliation. The facility will notify the Financial Services Division of these requests and keep the Division apprised as to the progress made in completing these reconciliations. Moreover, as indicated in our response to Recommendation #2(a) above, the Financial Services Division will revise the existing Bail and Fine Bank Reconciliation cover sheet for use by the facility within the next two months to provide a clear distinction between bank statement balances and check register balances. In regard to these changes, appropriate training will be provided to facility staff within the two month time frame. The Division will continue to closely review the preparation of all completed reconciliations and immediately notify facility management of any inaccuracies discovered during this process.

Recommendation #2(e)

Ensure that the monthly bank reconciliations for the Bail Account are performed properly by writing off unreconciled differences between the check register balance and the bank statement balance after three months, subject to the review and approval of the appropriate official.

Status of Corrective Action: **In Progress**

Agency Response Dated October 5, 2009

The Department has written procedures in Directive # 1505 entitled, Write-offs for Facility Based Controlled Accounts with Financial Activity. Once criteria outlined in this Directive are fully met, it is anticipated that the write-off of the approximately $3,200 in total unreconciled differences will be accomplished this calendar year.

Updated Action Taken

The Department's written procedures in Directive #1505 are presently being revised. Once criteria outlined in the revised Directive are fully met, it is anticipated that the write-off of unreconciled differences will be accomplished within 30 days.

Recommendation #3

Monitor the Bail Drop Safe Log to determine whether the responsible individuals are signing the Log as required, and take corrective action when they are not.

Status of Corrective Action: **Implemented**

Agency Response Dated October 5, 2009

To further strengthen monitoring controls, the Financial Service Division will review Bail Drop Safe Logs daily to determine that all required signatures are affixed. Those Logs missing required signatures will be returned to the facility for prompt correction.

Updated Action Taken

The Financial Services Division currently monitors the Bail Drop Safe Logs daily to determine that all signatures are affixed and returns Logs that are missing signatures to the facility for prompt correction.

Recommendation #4

Repair or replace the counterfeit detector machines and use the machines as directed by Directive 1502R.

Status of Corrective Action: **Updated Action Not Required – Corrective Action Reported As Implemented in Agency Response of October 5, 2009**

Agency Response Dated October 5, 2009

The machines were designed to have both currency counting and counterfeit detection capabilities. A service technician dispatched from the manufacture has determined that the machines require replacement, as the keys would not respond to the programming commands that would enable detection of counterfeit bills. These malfunctioning machines have since been replaced with equipment similar to those in use at one of the Department's banking institutions.

Recommendation #5

Monitor the timeliness of bail fund deposits and take corrective action if the deposits are not routinely made by the end of the next business day.

Status of Corrective Action: **Updated Action Not Required – Corrective Action Reported As Implemented in Agency Response of October 5, 2009**

Agency Response Dated October 5, 2009

Over 90 percent of the bail funds sampled by the auditors were deposited in the facility's bail account at the bank by the end of the next business day, in accordance with prescribed procedure. To ensure timeliness of all deposits, a procedure was instituted by the facility's Warden in May 2007 to have daily reports of deposits sent to him. As acknowledged in the audit report, since instituting this procedure in 2007, the timeliness of the deposits has improved.

The Financial Services Division implemented additional monitoring procedures in November 2008, requiring the facility to forward to the Division on a daily basis, a copy of the previous day's bank deposit ticket bearing the banks stamped deposit date. To ensure accuracy and timeliness, the amount and date shown on the ticket is compared to the amount and date of the deposit as recorded on the facility's Bail Drop Safe Log. This information is also compared daily to the deposit amount indicated on the online banking services website. Any discrepancies found are followed-up immediately for resolution with facility management. Each week, the results of these monitoring efforts along with the daily deposit amounts are summarized in a report to the Department's fiscal senior management.

Recommendation #6

Monitor the receipt documents for the checks remitted to the New York City Department of Finance and take corrective action whenever a receipt document is not obtained for a remittance.

Status of Corrective Action: **Implemented**

Agency Response Dated October 5, 2009

Beginning next month, the facility will be required to forward copies of all New York City Department of Finance (DOF) receipt documents to the Financial Services Division which will, in turn, notify facility management in writing to follow-up immediately on any missing or unsigned documents.

Updated Action Taken

The facility now forwards copies of all DOF receipt documents to the Financial Services Division. The Division notifies facility management in writing to follow-up immediately on any missing or unsigned documents.

Recommendation #7

Either work with the bank to obtain permission to authorize additional officials to sign checks remitting bail funds to the New York City Department of Finance, or develop alternative procedures for obtaining signatures from the currently authorized officials.

Status of Corrective Action: **Updated Action Not Required – Corrective Action Reported As Implemented in Agency Response of October 5, 2009**

Agency Response Dated October 5, 2009

Two signatures are required on the check remitting bail funds to DOF. Due to scheduling conflicts at the facility, two authorized signatories were not always available to sign these checks, resulting in delays in submission of remittances to DOF beyond the two prescribed business days. Procedures have been instituted by facility management and will be carefully monitored to ensure the timely availability of the required number of signatories.

Recommendation #8

Monitor the timeliness of bail fund remittances and take corrective action if the remittances are not routinely made within two business days of receipt.

Status of Corrective Action: **Updated Action Not Required – Corrective Action Reported As Implemented in Agency Response of October 5, 2009**

Agency Response dated October 5, 2009

As indicated in the audit report, the majority of the receipts that were found by the auditors to be either undated or not in the file, were applicable to 2007 when the procedures for obtaining the receipt documents from DOF's fiscal agent were not fully implemented. The auditors found significant improvement upon their review of receipt documentation for 2008.