



THE CITY OF NEW YORK
OFFICE OF THE MAYOR
NEW YORK, N.Y. 10007

Executive Order No. 12

June 29, 1990

Agency Internal Audit Functions

Section 1. Oversight of Agency Internal Audit Functions.
Pursuant to section 8(e) of the Charter, the Office of Management and Budget shall:

- a. Establish standards for the conduct of internal audits by all Mayoral agencies;
- b. Review agency internal audit plans and procedures to insure the integrity of agency internal control environments and systems;
- c. Establish procedures by which agencies shall inform the Commissioner of Investigation of any internal audit findings that suggest the existence of corrupt or criminal activity, a conflict of interest, or other misconduct;
- d. Review agency Fiscal Integrity Statements to ensure agency compliance with Comptroller's Directive No. 1;
- e. Provide the Mayor's Office of Operations with such information regarding agency internal control environments and systems as may be necessary for inclusion in the Mayor's Management Report.

§2. Prior Order Revoked. Executive Order No. 102, dated December 15, 1986, establishing the Office of the Auditor General, is hereby revoked.

§3. This Order shall take effect immediately.

A handwritten signature in black ink, appearing to read "David N. Dinkins", written over a horizontal line.

David N. Dinkins
M A Y O R



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NORMAN STEISEL
FIRST DEPUTY MAYOR

TO: Agency Heads
FROM: Norman Steisel
DATE: June 29, 1990
SUBJECT: Auditor General Transition

As part of the Fiscal Year 1991 budget, the Office of the Auditor General (OAG) is being eliminated as of July 1st. Nevertheless, this administration maintains a strong commitment to ensuring the integrity of its management systems. To that end, audit responsibilities have been assigned to a number of City offices which I have outlined below.

As part of this reorganization, the Office of Management and Budget's Audit Unit will be responsible for:

- O establishing uniform policies for the conduct of all agency internal audits;
- O reviewing the scope of agency internal audits including each agency's annual audit plan; and,
- O testing selectively agency's compliance with City Comptroller's Directive 1 (i.e., financial integrity statement) and providing Operations with the necessary information for inclusion in the Mayor's Management Report.

This new office will continue the work currently being done by OAG staff.

Operations is creating an Office of Contract Audits (OCA) which will consist of a Director, eleven auditors and a secretary. The OCA's primary mission will be to audit agency compliance with the procurement rules being promulgated by the Procurement Policy Board. The OCA will accomplish this by:

- O providing technical assistance to agency internal audit units in the creation of audit programs and the conduct of contract audits;

- O conducting contract audits and working with designated liaisons for those agencies that do not possess internal audit units; and,
- O conducting quality assurance reviews of audits performed by agency internal audit units.

In addition, the Office of Contract Audits will be responsible for auditing agency compliance with the concession rules which will be adopted by the Franchise and Concession Review Committee.

The Department of General Services' Division of Real Property (DRP) is creating a lease audit unit to review financial statements submitted by tenants in support of percentage rent calculations to ensure that the statements meet the basic requirements of the underlying leases. Based upon this review, histories of tenant compliance with percentage rent obligations, and the potential for additional revenue collection, the lease auditors will select specific leases for audit. In addition, two staff members from the OAG are being hired by Corporation Counsel to provide litigation support in two pending lawsuits (i.e., the "Grand Hyatt" litigation and the "La Guardia" action). In addition, these two individuals will also provide support in other complex federal and state litigation involving financial issues.

A new initiative is the creation of an Internal Audit Committee. The Committee will be comprised of the first Deputy Mayor, the Director of the Mayor's Office of Operations, the Director of the Office of Management and Budget, and the Department of Investigations. This Committee will be responsible for overseeing the various audit and oversight functions outlined above.

You should be hearing from each of these agencies regarding their new responsibilities in the very near future. Please give them your full cooperation.

NS/se

c: V. Kovner
K. Knuckles
P. Michael
H. Robins