

**THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER**

INTERNAL CONTROL AND ACCOUNTABILITY DIRECTIVES

DIRECTIVE 24 - AGENCY PURCHASING PROCEDURES AND CONTROLS

INTRODUCTION

The City of New York's integrated accounting and budgeting system is the Financial Management System (FMS.) One of the primary objectives of FMS is to provide the Office of the Comptroller the ability to report on the financial operations of New York City in the Comptroller's Comprehensive Annual Financial Report. This Directive provides accounting, internal control, and documentation requirements relative to City agency purchasing transactions and expenditures.

Effective internal control in the purchasing process is accomplished by use of correct accounting and purchasing documents, appropriate segregation of duties, and appropriate supervision and review. Agency monitoring of FMS transactions is an important component of internal control. Agency management is responsible to ensure that agency FMS reports and other outputs are properly reviewed for propriety.

All City expenditures must comply with applicable law, including the Charter of the City of New York (Charter), the rules and regulations of the Procurement Policy Board (PPB), and the Comptroller's Directives. All agency transactions are subject to audit by the Office of the Comptroller. This Directive establishes requirements on the use of FMS documents for City agency purchases, including those paid for by the use of miscellaneous payment vouchers.

This Directive is issued pursuant to the authority of the Office of the Comptroller as provided in Chapter 5, Section 93 of the Charter.

1.0 GENERAL INFORMATION

1.1 Directive Organization

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1.2 Effective Date

This Directive is effective immediately, and supersedes the previous version, issued June 1979. This Directive also supersedes Directive 25, *Guidelines for the Use and Submission of Miscellaneous Vouchers*, and Comptroller's Memorandum #91-03, *Instructions for the Use and Preparation of the Agency Encumbrance*, both issued May 22, 1991.

1.3 Assistance

Questions or comments concerning this Directive should be addressed to: The Office of the Comptroller, attention; Directives/Policy Unit, Bureau of Accountancy, Municipal Building, One Centre Street, Room 200 South, New York, NY 10007, (212) 669-3675, Email directives@comptroller.nyc.gov.

1.4 Internet Availability

An inventory of existing Comptroller's Internal Control and Accountability Directives, with download and print capability, are available on the Comptroller's website at <http://www.comptroller.nyc.gov>.

2.0 GENERAL PURCHASING GUIDANCE

All City expenditures must comply with applicable law, including the rules and regulations of the Charter of the City of New York, the Procurement Policy Board (PPB), and Comptroller's Directives. Below is a listing of resources available to agency personnel regarding purchasing, vouchering and financial reporting. Appropriate agency personnel should be familiar with the guidance and ensure that agency purchasing transactions comply with the applicable regulations.

2.1 The New York City *Charter*

The New York City *Charter* (Charter) describes the responsibilities and authority of the elected officials and agencies that comprise the government of New York City. The text of the Charter can be found at <http://www.nyc.gov/html/charter>.

2.2 Procurement Policy Board *Rules*

The Procurement Policy Board *Rules* (PPBR) detail the various legal requirements applicable to all City procurements. The PPBR may be found on the PPB website at www.nyc.gov/selltonyc.

2.3 Office of the Comptroller *Internal Control and Accountability Directives*

The Office of the Comptroller *Internal Control and Accountability Directives* and Memoranda can be obtained by contacting the Office of the Comptroller (see §1.3 and §1.4.)

2.4 *FMS Accounting Policies and Procedures*

The *FMS Accounting Policies and Procedures* Manual (FMS Manual), issued by the Comptroller's Bureau of Accountancy, describes procedures for using FMS. The FMS Manual may be obtained from the Financial Information Services Agency (FISA) Call Center at (212) 857-1700.

2.5 *Office of Contract Administration Policies and Procedures*

Agencies may obtain FMS guidance on contracts in the *Office of Contract Administration Policies and Procedures* Manual (OCA Manual) issued by the Office of the Comptroller, Office of Contract Administration. The OCA Manual may be obtained from the FISA Call Center. The OCA Manual is intended to supplement the FMS Manual.

2.6 *FMS User Notebook*

The *FMS User Notebook* (Notebook), distributed by FISA, provides practical instruction in performing FMS functions. The Notebook supplements the FMS Manual and the OCA Manual. The Notebook may be obtained from the FISA Call Center.

2.7 *FMS Training and Guidance*

City purchasing personnel must be familiar with the FMS guidance issued by the Office of the Comptroller and FISA. Additionally, agencies may arrange for instructor-led FMS training (ILT) at the FISA facilities, or computer-based training (CBT) at their agency location. CBT provides desktop training for individual FMS users to learn basic applications, including navigating screens and conducting inquiries. Agency FMS security officers or other responsible persons should arrange for ILT training through the FISA Call Center.

3.0 PURCHASING PROCESS OVERVIEW

3.1 *General*

The effective and efficient conduct of City agency business requires a thorough understanding of procurement statutes, rules, and processes. Agencies must anticipate future needs and ensure adequate time to accommodate procurement processes that are often complex and require multiple steps and approvals to complete. Determinations regarding the extent of competition, estimated cost, scope of work, and contract delivery

timeframes must all be made and then reflected in the relevant purchasing documents. Agencies must record the resultant agreement and associated payments in FMS using the appropriate documents.

The sections below outline some factors that must be considered in the purchasing process.

3.1.1 Small Purchase Limits

The small purchase limits are currently set at \$25,000 for goods; \$50,000 for services; and \$100,000 for construction and construction-related goods and services, and for information technology. The micro-purchase limit is currently set at \$5,000. Agencies must review the Charter and the PPB *Rules* regularly for changes in City purchasing policy, including current dollar limits for small purchases.

3.2 Segregation of Duties

City agencies should assign different people the responsibilities of authorizing transactions, recording transactions, and maintaining custody of assets to reduce the opportunities of allowing any person to be in a position to both perpetrate and conceal errors or irregularities in the normal course of performing his or her duties. Segregation of duties may be particularly challenging for small City agencies, where few staff members are available to perform the various functions in FMS document processing. To ensure effective internal control in FMS processing, small agencies should adopt and maintain a high level of monitoring and prompt response to problems that arise. When management encounters errors or other problems, they should investigate and correct the procedures that permitted the errors to occur in order to prevent similar problems in the future. Problems may include employees who misunderstand instructions, make mistakes in judgment, or make errors due to carelessness, distraction, or fatigue. Another factor may be systems changes such as development of new FMS documents that have been implemented before employees are adequately trained in their use.

In the larger agencies, management concerns may be different. An agency's FMS production volume and complexity of transactions may be of primary concern. For

effective internal control, management may opt to assign users from several work units different monitoring tasks. See Comptroller's Directive #18, *Guidelines for the Management, Protection, and Control of Agency Information and Information Processing Systems*, §6.0 on effectively organizing staff in an information processing environment.

3.3 FMS Procedures Overview

Generally, agencies begin the purchasing process by entering a Requisition (RQ or RX) in FMS to pre-encumber funds from the agency's budget. A Requisition is entered before placing an order with a vendor. See §4.2, *Requisitioning*. Before the agency places an order with a vendor, a Purchase Document (PC, PCC, PD, PO) or an FMS Contract Document (CE, CT, CTC) must be entered in FMS to close (clear) any Requisition associated with the purchase. Entering a Purchasing Document or an FMS Contract Document in FMS will subsequently enable a voucher (PVE) to be entered and accepted in FMS to tender vendor payment against the liability. See §4.3-4.4, *Purchase Documents*; §5.0, *FMS Contract Documents*; and §6.0, *Payment Vouchers*. For Requirements Contracts (CEs), an FMS Expense Requirements Contract Release Order (PG), Capital Requirements Contract Release Order (PGC), Expense Service Contract Release Order (SC), or Capital Service Contract Release Order (SCC) must be entered in FMS. Vendor payments can be issued against these documents after a Payment Voucher, directly referencing the encumbrance, is entered, and accepted in FMS. Also, see Comptroller's Directive #10, *Charges to the Capital Budget*.

For most acquisitions of goods and services between City agencies, known as intra-City purchases, the selling agency enters an Internal Purchase Order (POI) in FMS to initiate the transaction. After the goods or services are received, the acquiring agency enters an Internal Payment Voucher (PVI) to enable a credit to the selling agency. There are no requisitions for intra-City purchases.

3.4 Payee/Vendor Data Collection

Agencies must collect accurate payee and vendor documentation timely to ensure the City's compliance with Internal Revenue Service (IRS) Code (26 USC Section 6109) for reporting payee and vendor payment data. Required documentation includes Forms W-8 or Substitute W-9 that provide payee and vendor data including Taxpayer

Identification Numbers (TINs), Employer Identification Numbers (EINs), and other information that is used to report payments to individuals and entities that conduct business with the City of New York. The City of New York *FMS Substitute Form W-9, Request for Taxpayer ID No. & Certification*, is applicable to payments to U.S. taxpayers; the various Internal Revenue Service Forms W-8 are applicable to payments to foreign individuals and entities. Agencies must forward original Forms W-8 and Substitute W-9 to the Office of the Comptroller, Bureau of Accountancy, Vendor Validation Unit, One Centre Street, Room 200 South, New York, NY 10007.

For 1099 reporting, agencies should consult the annual 1099 Reporting Instructions issued by the Office of the Comptroller, Bureau of Accountancy. Also, see chapters 5.1 to 5.3 of the FMS Manual for required Payee/Vendor Maintenance procedures.

Agencies must ensure that personnel entering W-9 payee/vendor data in FMS perform a review to determine whether the payee/vendor was previously recorded as a valid payee/vendor before entering a new payee/vendor or new data for an existing payee/vendor. The review should be performed to identify possible duplicate records or multiple Taxpayer Identification Numbers (TINs) for a payee/vendor. The review should also be performed to verify that a payee/vendor has been set up in FMS correctly before making a requested modification to the record. If a discrepancy in the payee/vendor record exists, the record must not be changed without documentation supporting the new entry.

To keep the payee/vendor database as accurate as possible, agencies should contact their payee/vendors whenever data are missing, inconsistent, or appear to be inaccurate. Agencies must be prepared to provide documentation to support their entries in the payee/vendor database.

4.0 PURCHASING DOCUMENTS

4.1 General Functions of Purchasing Documents

Purchasing Documents serve two purposes: they represent an agreement with a vendor to purchase goods or services, and are used to record the accounting event

associated with the purchase. Purchasing Documents consist of Requisitions, Purchase Documents, FMS Contract Documents, and Payment Vouchers. It is recommended that agencies use Requisitions to pre-encumber funds for purchases from external vendors. Purchase Documents and FMS Contract Documents reserve or encumber funds from the purchasing agency's budget, close Requisitions, and reclassify the pre-encumbrance as an encumbrance. If a Requisition is used, the Purchase Document or FMS Contract Document must reference the Requisition, or the agency's budget will be charged by both the Requisition and the Purchase Document. Purchase Documents or FMS Contract Documents must be entered and accepted in FMS before a Payment Voucher can be entered and accepted to initiate vendor payment. Payment Vouchers written against an FMS Contract Document or a Purchase Document liquidate the encumbrance and record the expenditure. See FMS Manual §2.1.

4.2 Requisitioning

The recording of estimated liabilities in FMS ensures that the City's financial records reflect planned expenditures, provides cash control and accountability, and facilitates management of the City's financial resources.

Requisitions may be entered in FMS before placing an order for goods or services from an external vendor. Typically, a City agency uses a Requisition (RQ, for purchases made without a contract, or RX, for contracts) to pre-encumber or reserve funds from the agency's budget for ordering and eventual vendor payment. Requisitions are required when a purchase is expected to exceed the micro-purchase limits, currently set at \$5,000, or when a contract will be used for the purchase. The RX is the Requisition applicable for use with most FMS Contract Documents.

4.2.1 Entering Requisitions

Agencies must ensure that authorized agency personnel enter Requisitions. In order to maintain adequate internal control, those employees who do not prepare or approve other purchasing documents should enter Requisitions.

4.3 FMS Document Overview

The charts below summarize the various FMS purchasing documents and the appropriate uses for each.

Document Type *	Description	Purchase Dollar Limits and/or FMS Requirement	Cross Reference
RQ	Requisition -- To reserve funds for purchases from external vendors (without FMS Contract Documents)	Limited agency use	§4
RX	Requisition -- To reserve funds for most FMS Contract Documents (contains accounting and commodity detail)	Use with the CT, CTC, PC and PCC documents	§4
PD	Micro Purchase Document (Encumbrance)	<=\$5,000	§4
PC	Small Purchase Document (Encumbrance) – For purchases of at least \$2,500 using other than capital funds	<=\$10,000 (goods and services) <=\$15,000 (construction and construction-related) Use with the RX	§4
PCC	Small Purchase Document – Capital (Encumbrance) – For purchases of at least \$2,500 using capital funds	<=\$10,000 (goods and services) <=\$15,000 (construction and construction-related) Use with the RX	§4
PG	Requirements Contract Release Order -- To release other than capital funds for a Requirements Contract (CE)	Use with the CE for goods	§4
PGC	Capital Requirements Contract Release Order -- To release capital funds for a Requirements Contract (CE)	Use with the CE for goods	§4
PO	Purchase Order Document -- For special, non-procurement purposes (without FMS contract documents)	Limited agency use	§4
POI	Internal Purchase Order Document -- For most acquisitions of goods and services between City agencies	Use with the PVI	§4
CE	Requirements Contract -- To create a Requirements Contract in FMS	Use with the PG, PGC, SC, or SCC	§4

Document Type *	Description	Purchase Dollar Limits and/or FMS Requirement	Cross Reference
CT	FMS Contract Document (for other than capital projects)	Required for purchases >=\$10,000 (goods and services) >=\$15,000 (construction and construction-related) Use with the RX	§5
CTC	FMS Capital Contract Document	Required for purchases >\$10,000 (goods and services) >\$15,000 (construction and construction-related) Use with the RX	§5
PVE	Payment Voucher – For purchases from external vendors	Use with a Purchase Document or an FMS Contract Document	§6.1
PVI	Internal Payment Voucher – For most acquisitions of goods and services between City agencies	Use with POIs	§6.1
PVM	Miscellaneous Payment Voucher – For general fund purchases from external vendors; no reference FMS Document exists (e.g., POs or FMS Contract Documents)	Limited agency use	§6.3
SC	Expense Service Contract Release Order – For release of other than capital funds for a Requirements Contract (CE)	Use with the CE for services	§3.3
SCC	Capital Service Contract Release Order – For release of capital funds for a Requirements Contract (CE)	Use with the CE for services	§3.3

* FMS provides some documents that are not included here because they are not used in the City agency purchasing process.

4.4 Purchase Documents

Purchase Documents (PC, PCC, PD, PG, and PGC) are used for purchases from external vendors. The PC is used for contracts for \$10,000 or less using other than capital funds; the PCC is used for contracts for \$15,000 or less using capital funds, or both general and capital funds; the PC and PCC are used in conjunction with FMS Contract Documents (CT or CTC.) The PD is used for micro-purchases, which are purchases for

\$5,000 or less. See FMS Manual chapter 2. For Requirements Contracts, the PG is used to encumber general funds; the PGC is used to encumber capital funds. See OCA Manual chapter 7.

The Purchase Documents (PC, PCC, PD, PG, and PGC) were created for agency use to eventually replace the generic agency encumbrance, the Purchase Order (PO), which has limited agency use. The use of the PO is now limited to special, non-procurement purposes (see §4.4.1.) The Comptroller's Office acknowledges that agencies may have open (in process) encumbrances for which the use of an existing PO is appropriate. However, the use of the new Purchase Documents (PC, PCC, PD, PG, and PGC) is required for all new agency purchasing transactions. Additional Purchase Documents may be developed for future use; agencies must ensure that FMS users are informed of changes by consulting the FMS Bulletins and Release Guides issued by FISA.

Internal Purchase Orders (POIs) are required for most acquisitions of goods or services between City agencies, also known as intra-City purchasing. The agency selling the goods or services should enter the POI to initiate the purchase. There is no Requisition associated with intra-City purchasing. See FMS Manual §2.2.

4.4.1 The Purchase Order Document

The Purchase Order Document (PO) should be used as a general agency encumbrance for special, non-procurement expenditures for which a contract or Purchase Document is not required. Appropriate uses of the PO include payments to union welfare funds, pension funds, major cultural institutions, and health insurance companies.

4.4.2 Purchase Document Approvals

Purchase Documents require the approval of the purchasing agency's ACCO or designee. The approver should verify that the requirements of the Requisition have been met by comparing the Purchase Document to data on an FMS Open Items Report (E64A) or other FMS Inquiry. Approval of a Purchase Document must not be performed by the user who will approve the Payment Voucher associated with the purchase. See §6.0, *Payment Vouchers*.

4.5 Inappropriate Uses of Purchase Documents

The following sections discuss when Purchase Documents are inappropriate.

- City agencies may not artificially split purchases by the use of Purchase Documents when an FMS contract document is required. Intentionally splitting a purchase to circumvent law, rules, regulations, or Comptroller's Directives is also prohibited, whether using FMS purchase documents or any other documents.
- If an agency currently has a registered contract with a vendor, increases and decreases to that contract must be made by amending the contract, with the use of Contract Amendment Documents (CTMs.)
- If the City has a Requirements Contract, it is not permissible to use Purchase Documents for the acquisition. In these instances, the FMS Requirements Contract (CE) must be used to record the contract in FMS (see §5.0.) If the Requirements Contract is for goods, the Requirements Contract Release Order (PG) or the Capital Requirements Contract Release Order (PGC) must be used to encumber funds for vendor payment. If the acquisition is for services, the Expense Service Contract Release Order (SC) or the Capital Service Contract Release Order (SCC) must be used to encumber funds for vendor payment. See OCA Manual chapter 7.

5.0 FMS CONTRACT DOCUMENTS

When a City agency enters into a contract, all FMS Contract Documents must be entered in FMS. FMS contract documents include the CT when expending other than capital funds, and a CTC when using capital funds or split funding (expending both general and capital funds.) The CE is used to enter a Requirements Contract purchase in FMS. Required FMS contract document data include commodity description, project start and end dates, and accounting detail. If an amendment is made to a contract, such as when capital funds are added to a contract that did not formerly involve capital funding, the agency must enter an amendment to the contract by

re-opening the original contract document and entering the new information.

5.1 Agency FMS Contract Document Review and Approval

5.1.1 Review Procedures

The level of review that a contract should receive may depend on the nature and dollar value of the contract. However, at a minimum, the agency reviewer must:

- Ensure that FMS contract documents are appropriately executed;
- Make certain that the contractor's name, address, vendor number and Procurement Identification Number (PIN) on the FMS contract documents match those on the contract;
- Verify that the performance dates on the FMS contract documents are the same as those on the contract;
- Ensure that any required insurance documents, bonds, cash deposits, or inspection fees were received, noting the details on the FMS contract documents;
- Ensure that the accounting details, including expenditure coding, capital asset notation, retainage, and award method are correct, and
- Verify that the amount on the Advice of Award agrees with the contract amount.

Agencies should review contract documents to make certain that all required documents are present, are appropriately processed, and that originals or copies, depending on the document, are maintained at the agency.

5.1.2 FMS Approval Procedures

Contracts that do not require OCA registration are approved solely within the agency. The agency's Chief Contracting Officer (ACCO) is the final approver of these contracts. Agency management must ensure that there is adequate documentation to support the award decision.

For contracts that require OCA registration and Level 5 FMS approval, the

agency must send an executed contract, supporting documentation, and the Advice of Award form to OCA.

6.0 PAYMENT VOUCHERS

A Payment Voucher is a document that authorizes payment to a vendor, and must be accepted in FMS before a payment can be issued. Generally, Payment Vouchers must be recorded in FMS in the fiscal year for which the associated expenditure was incurred.

Payment Vouchers require two approvals by FMS users as assigned by the agency. Each approver acts as a check on the other's decisions; therefore, appropriate consideration must be made when assigning employees approval authority. Based on their knowledge of agency operations, approvers verify that the expenditure is necessary and reasonable, that the payment request and its supporting documentation are accurate, and that the goods or services were received. Although FMS users may enter and approve Payment Vouchers, they cannot approve the vouchers they enter.

Payment Voucher approvers must ensure that:

- The correct voucher type is being used;
- The appropriate invoice is being paid;
- The goods or services have been received, and the receipt has been signed or approved by an authorized person;
- The goods or services are of a type and in a quantity normally ordered (unless special need has been cited on the Purchase Document);
- The appropriate accounting and budget codes are being charged. This includes charging the correct unit of appropriation and correct object code within that unit of appropriation;
- Invoice gross amounts are entered, taking any applicable discounts from the FMS discount table;
- All prices, extensions, and totals are accurate, and
- Taxes from which the City of New York is exempt are not included (such as New York State sales tax.)

Payment Voucher detail must be compared to the associated Purchase Document or FMS

Contract Document for compliance with the purchase's terms and conditions (e.g., vendor, ordered goods, prices, quantities, etc.)

6.1 Rebates and Discounts

Agencies must make every effort to obtain rebates and discounts from vendors when economical, and when the City's cash management policy permits. Inquiring about these programs, when contacting vendors, will help ensure that purchases are obtained at the best value, for example, agencies may arrange to receive discounts in return for making early payments, or for purchasing items in bulk.

6.2 Payment Voucher Types

The section below outlines selected Payment Voucher types and their appropriate uses.

- **Payment Voucher (PVE)**

The PVE is used for general purchases from external vendors. The PVE is used to make payment on a Purchase Document or an FMS Contract Document.

- **Internal Payment Voucher (PVI)**

The PVI is used to make payment on a POI for the acquisition of goods or services from another City agency.

- **Reimbursement Voucher (PVR)**

Agencies use the PVR to reimburse (replenish) an Imprest Fund account.

- **Miscellaneous Payment Vouchers (PVM)**

Agencies use PVMs for general purchases made without a Purchase Document or an FMS Contract Document, for example, when establishing an Imprest Fund account. The PVM does not reference other FMS documents. See §6.3.

6.3 Miscellaneous Payment Vouchers (PVMs)

Miscellaneous Payment Vouchers (PVMs) may be used only when estimated or actual future liability is not determinable, or a contract or a Purchase Document is not required or applicable. Recent audits conducted by the Office of the Comptroller and the City's independent auditor have disclosed that many agencies use PVMs inappropriately. The sections below provide examples in which the use of PVMs is allowable, and when their use is not allowed. However, the examples are for illustration only, and are not intended to be inclusive. Agencies are expected to exercise judgment in the applicability of these documents. Questions on the use of PVMs should be addressed to the Office of the Comptroller.

6.3.1 Examples of Allowable Uses of PVMs

Appropriate uses of PVMs include:

- For agencies without an imprest fund, all imprest fund type expenditures under \$250 (examples include small purchases of supplies, materials, and equipment)
- Reimbursements, increases and advances to agency demand accounts
- Payments for accrued leave and death benefit payments to beneficiaries of City employees
- Payments to court appointed attorneys who handle cases for indigent individuals
- Reimbursements to employees for out-of-pocket expenses, including carfare, tolls, telephone, mileage and out-of-City travel costs
- Real estate tax payments to a municipality other than the City of New York
- Payments to providers of medical examinations for Line of Duty Injury (LODI) claims
- Miscellaneous payments in the 5000 group of Object Codes (Social Services) when paid to an individual receiving assistance
- Miscellaneous payments in the 7000 group of Object Codes (Fixed and Miscellaneous Charges)
- Miscellaneous payments in the 8000 group of Object Codes (Transfers for Debt Service.)

6.3.2 Examples of Unallowable Uses of PVMs

The section below discusses examples of inappropriate uses of PVMs (the appropriate voucher type is noted in parentheses):

- The purchase of supplies, equipment, materials and services for which an FMS Contract Document and/or Purchase Document is required and applicable. Use the appropriate FMS Contract Documents (see §5.0) or appropriate Purchase Document (see §4.3), and the related Payment Voucher (see §6.2)
- Monthly rent payable on lease or license agreements or other uses of real property (PVE)
- Payments to postal and phone service providers (PVE)
- Union welfare and annuity payments (PVE)
- Payments to pension funds (PVE)
- Monthly advances to libraries and major cultural institutions (PVE)
- Intra-city expenditures (PVI)
- Reimbursements to Imprest Funds (PVR.)

7.0 FMS PROCESSING CONTROLS

Agency management must ensure that agency transactions are properly recorded in FMS. The sections below describe resources that are available to help agencies achieve this goal.

7.1 FMS User Access

Employee FMS access and approval authority are determined by City agency management, and must be maintained in writing by the agency's FMS security officer or other agency-designated responsible person entrusted with system security. The security officer serves as the agency's liaison to FISA and the Office of the Comptroller, and typically establishes user access, and oversees agency FMS production and reporting as determined by agency management. Agency management must ensure that appropriate access is established for new users; is updated when employees will no longer be users

due to termination, changes in work assignment or job functions; or whenever management deems that a change to FMS access is necessary. Agencies should review their FMS security authorizations frequently, at least twice per year.

For audit control, FMS automatically records transactions by User ID, date, and time. Agencies should ensure that users are held responsible for any unauthorized activity recorded with their ID. Users are not permitted to provide their passwords for use by others.

Agency FMS security officers or other agency-designated responsible personnel should obtain reports (from the FISA Call Center) that identify FMS user access and approval levels to maintain adequate FMS security as frequently as necessary.

7.2 Inquiries and Reports on FMS Transaction Data

City agencies must verify that data entered into FMS have been properly captured. This can be done through FMS inquiries, which is a tool that enables users to search existing FMS data for information. Inquiries should be used to monitor the agency's FMS activity, verify the validity of FMS output, and to track and compare income and expenditures to authorized documentation, such as adopted budgets. An inquiry, for example, may be used to check whether certain vendor invoices have already been recorded before entering new invoices in the system.

Depending on the information needed, inquiries on FMS transactions can capture data on a real-time basis (as transactions are processed); on a daily, monthly, or yearly basis; by transaction type; or by vendor. Standard FMS inquiries present FMS data in a predetermined and system-defined manner.

Transactions may also be researched using the Report Management Distribution System (RMDS.) RMDS is a database of FMS transaction reports that present data in a predetermined and system-defined manner. Agency-designated FMS security officers or other responsible persons may also contact the FISA Call Center to request customized reports.

See FMS Manual chapter 11 and the Notebook for more information on the

various reports and Inquiries.

7.3 Customized Reports

All FMS data are available using standard FMS Inquiries. In addition, for better revenue and expenditure monitoring, agencies should consider using customized reports as a management tool.

Agency security officers or other designated responsible persons must contact the FISA Call Center for any special report design needs.

7.4 Fiscal Year-End Audit Closing Instructions

Appropriate agency staff must attend the annual fiscal year-end seminar held by the Office of the Comptroller, Bureau of Accountancy, and follow the related closing instructions. Agency heads are responsible for their agency's handling of the procedures detailed in the instructions; all responsible agency staff should be informed of the requirements so as to be in compliance with Comptroller's Office policy. The instructions provide information about the various aspects of year-end agency processing and reporting, including the following:

- Monitoring open encumbrances at year-end; if an encumbrance is not needed, it should be decreased;
- Reporting the various open items that will be "rolled" to the following fiscal year;
- Accounting for multi-year contracts and agreements such as lease expenses;
- Submitting the annual Capital Reconciliation Representation Certificate and, if there are unreconciled items, the Schedule of Differences form to the Office of the Comptroller;
- Creating and posting adjusting entries for open receivables and unrealized grant revenue, and
- Reconciling cash and accrual basis revenues to FMS reports.

The Audit Closing Instructions provide contact information for assistance with complying with the instructions. The document is also available for downloading from

the Comptroller's website.

7.5 Recording Outstanding Encumbrances at Year-End

Generally Accepted Accounting Principles (GAAP), promulgated by the Governmental Accounting Standards Board (GASB) requires that outstanding encumbrances at year-end not be recorded as expenditures. The proper recording of each agency's expenditures is critical to the accurate reporting of the City's financial results of operations.

Agencies must ensure that the recording of expenditures in FMS is handled correctly, and that the expenditures are charged to the appropriate fiscal year. If the goods or services referenced by an encumbrance have not been received by June 30 of a given fiscal year, the encumbrance must "roll" to the following fiscal year, or be deleted. For example, if an encumbrance was entered in FMS for an order of goods before June 30, 2002, but the goods were not received before that date, the expenditure must be charged to fiscal year 2003, rather than to fiscal year 2002.

7.6 Fiscal Year-End Expenditure Accruals (the MY Process)

For an agency to charge an expenditure to the current fiscal year, goods or services must be received and/or delivered by June 30. The agency must process a payment voucher between July 1 and August 31, inserting dates for the receipt of goods or services covering that period in the "from" and "to" fields on the payment voucher. This procedure must be followed for all funds in FMS, and is called "FAMY." After August 31, if an agency determines that it received the goods or services before June 30, the agency must accrue these expenditures and record them in FMS by processing a Multi-Year Accrued Expense (MY) document in Month 13 of the prior fiscal year. After paying the vendor in the subsequent fiscal year, agencies should process an MY document, reducing the current year expenditure and liquidate the prior year accrual.

8.0 DOCUMENTATION

8.1 General

FMS retains electronic records of all FMS transactions as they are accepted in the system; therefore, City agencies are not required to retain FMS documents in paper form. Agency personnel may perform FMS inquiries to track purchase history when necessary. Agencies must, however, retain all documentation received from vendors, and other relevant information that is not processed through FMS. Depending on the purchase, the relevant information may include bids, proposals, executed contracts, invoices, inventory records, and any vendor-signed or vendor-generated documentation. Agencies should also retain documentation that is used for purchasing decision-making, such as material from vendor presentations, agency discussions and memoranda, and any other paper and/or electronic records supporting the purchase decision.

8.2 Required Document Retention

Agency disposal of documents must be done only in accordance with procedures authorized by the City of New York Department of Records and Information Services (DORIS), as provided in Chapter 72, Section 3004 of the Charter.

9.0 PROCUREMENT CARDS

A number of City agencies are using procurement cards for faster acquisition of micro-purchases, to facilitate lower transaction costs, and to simplify routine expense reporting. However, agencies may not use procurement cards in any manner that would circumvent, intentionally or unintentionally, policy outlined in Comptroller's Internal Control and Accountability Directives and the PPB *Rules*. Directives that emphasize procedures relevant to procurement card use include Directive #3, *Procedures for the Administration of Imprest Funds*, and Directive #6, *Travel, Meals, Lodging and Miscellaneous Agency Expenses*. For detailed information on procurement card use, consult Comptroller's Memorandum #01-1, *Guidelines for the Use of Procurement and Purchasing Cards*, issued June 22, 2001.