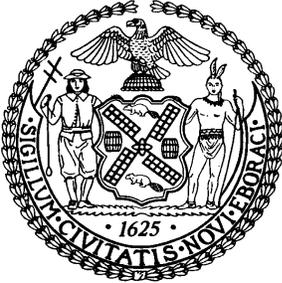


AUDIT REPORT



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

Audit Report on Payments Made by New York City to Accenture LLP For Consulting Services

FL04-109A

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 responsibilities of the Comptroller contained in Chapter 5, § 93, of the New York City Charter, my office has examined payments made by the City to Accenture to determine whether any improper payments were made.

The results of our audit, which are presented in this report, have been discussed with officials of the Department of Citywide Administrative Services, the Department of Information Technology and Telecommunications, and the Mayor's Office of Operations, and their comments have been considered in preparing this report.

Audits such as this provide a means of ensuring that payments made by the City to private concerns are reasonable, justified, and adequately supported.

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/gr

Report: FL04-109A
Filed: June 30, 2004

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

**Audit Report on the Payments Made by
New York City to Accenture LLP
For Consulting Services**

FL04-109A

AUDIT REPORT IN BRIEF

The Comptroller's Office performed an audit to determine whether payments made to Accenture LLP (formerly Andersen Consulting) by the Department of Information Technology and Telecommunications (DoITT); the Department of Citywide Administrative Services (DCAS); and the Mayor's Office of Operations (Operations) were reasonable, justified, and adequately supported.

Audit Findings and Conclusions

The payments made to Accenture by DCAS and by Operations were reasonable, justified, and adequately supported. However, we found problems with the documentation for \$9,144,330 (31 percent) of the \$29,544,952 in payments made by DoITT to Accenture that we reviewed. In addition, we found billing errors that resulted in overpayments of \$26,102 (of which \$22,827 was paid by DoITT and \$3,275 was paid by DCAS) and underpayments of \$21,986 (of which \$20,336 was attributable to DoITT projects and \$1,650 to the NYCAPS project).

Audit Recommendations

To address these issues we recommend that DoITT should:

- Ensure that all payments on contracts are based on signed, complete, and approved invoices. The invoices should be supported by appropriate documentation, such as: signed and approved timesheets with evidence of review and approval by the project manager (for labor), and vendor invoices and receiving and inspection reports (for materials).
- Reexamine the invoices and supporting documentation for all payments made to Accenture for the 3-1-1 and E-Gov Initiative projects and determine whether any recoupment action is warranted.
- Recoup the net overpayment of \$2,491 identified in this audit.

We also recommend that DCAS should:

- Reexamine the invoices and supporting documentation for all payments made to Accenture for the NYCAPS project and determine whether any recoupment action is warranted.
- Recoup the \$1,625 overpayment identified during the audit.

INTRODUCTION

Background

Accenture LLP (formerly Andersen Consulting) is a management-consulting technology-services and outsourcing company. As of July 1, 2003, Accenture had four contracts totaling \$130 million with the following City agencies: DoITT, DCAS, and Operations. Under these contracts, Accenture was required to: implement the 3-1-1 Call Center (3-1-1 project); provide consulting services for various electronic government projects (E-Gov Initiative); implement a Web-enabled human resource system, NYCAPS (New York City Automated Personnel System); and develop an electronic Mayor's Management Report (eMMR). Table 1, following, lists the four Accenture contracts, the correspondent contracting City agency, the projects, and the total value of each contract.

TABLE 1
List of Accenture Contracts

Contract Number	Agency	Project	Contract Amount
CT 858 20030004356	DoITT	3-1-1 Citizen Service Management System	\$72,000,000
CT 858 20030012409/ PO 857 00000015564	DoITT	E-Gov Initiatives	31,337,655
CT 856 20020011249	DCAS	City Automated Personnel System	22,280,052
CT 002 20020007304	Operations	eMMR Performance Management Reporting System	4,941,727
Total			\$130,559,434

Objective

Our audit objective was to determine whether payments made by the City to Accenture were reasonable, justified, and adequately supported.

Scope and Methodology

The audit covered the period March 2002 through October 2002 (the last four months of fiscal year 2002 and the first four months of fiscal year 2003). To achieve our audit objective,

we reviewed all four Accenture contracts and interviewed officials from DoITT, DCAS, and Operations to gain a better understanding of the payment provisions of the agreements and each agency's system for processing payments. We prepared flowcharts and memoranda outlining the payment-processing procedures and the internal controls in place.

We reviewed the City's Financial Management System to compile a complete list of all payments made to Accenture during the audit period.

For payments to Accenture for the 3-1-1 project, E-Gov Initiative, and NYCAPS, we judgmentally selected March 2002 through October 2002 and reviewed documentation related to all payments, totaling \$29,544,952, made to Accenture during that period. The amounts billed by Accenture were primarily based on time and materials. Therefore, we determined the accuracy of the amounts on Accenture billings by reviewing timesheets (for labor) and vendor invoices (for materials) and determined whether the amounts charged were reasonable, justified, and adequately supported. In addition, we reviewed the invoices for mathematical accuracy and ascertained whether the hours billed matched the hours recorded on the timesheets of the individuals assigned to the contracts. We also determined whether the hourly rates charged on the invoices matched the rates in the contracts. For consultants assigned to more than one City contract, we determined whether there were any overlapping hours on the Accenture billings.

For the eMMR project, we reviewed all payments, totaling \$379,526, to Accenture during the audit period. We determined whether Accenture delivered the items specified on the invoices, which included project planning documents, work plans, task order listings, and the Business Description Document.

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 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 officials of DCAS, DoITT and Operations during and at the conclusion of this audit. A preliminary draft report was sent to these officials and discussed at exit conferences held on May 20, 2004. On June 4, 2004, we submitted a draft report to DCAS, DoITT, and Operations with a request for comments.

DoITT agreed with the report's recommendations; however, it took exception to the report's findings pertaining to questionable payments and missing, questionable, and invalid documentation. Although DCAS agreed with the report's findings, it disagreed with the recommendation to reexamine the invoices and supporting documentation for all payments made to Accenture for the NYCAPS project. Operations stated that it is "pleased to see that The Comptroller's Office found that payments made by Operations to Accenture were 'reasonable, justified and adequately supported.'" The full texts of the written comments received are included as addenda to this report.

FINDINGS

The payments made by DCAS and by Operations to Accenture were reasonable, justified, and adequately supported.

However, we found problems with the documentation for \$9,144,330 (31 percent) of the \$29,544,952 in payments made by DoITT to Accenture that we reviewed. In addition, we found billing errors that resulted in overpayments of \$26,102 (of which \$22,827 was paid by DoITT and \$3,275 was paid by DCAS) and underpayments of \$21,986 (of which \$20,336 was attributable to DoITT projects and \$1,650 to the NYCAPS project). These issues are discussed in the following sections of this report.

Questionable Payments

DoITT paid Accenture a total of \$8,643,931 based on five unsigned, incomplete, unapproved, and improper invoices. Three of the five invoices submitted by Accenture to DoITT, totaling \$3,582,770, were not on Accenture's letterhead, were not signed by an Accenture official, and the services or equipment was not certified as having been received and approved for payment by a DoITT project manager. Two invoices, totaling \$5,061,161, were likewise not certified or approved for payment.

DoITT Response: "The documentation was originally provided to the Comptroller's audit team that resulted in these findings had been incomplete; however, on June 3, 2004, a DoITT official met with representatives of the Comptroller's audit team and provided appropriately signed and approved invoices and supporting documentation for the five invoices in question. However, the report was never updated to reflect the provision of this documentation."

Auditor Comment: We do not accept DoITT's assertion that it provided us with adequate documentation to support the \$3,582,770 in question. Although unsigned, incomplete, and unapproved, the first invoices we retrieved from the payment files actually contained more complete information (i.e., invoice dates, payment due dates, vendor address, tax ID, and prompt payment calculations) than that contained on the invoices provided by DoITT on June 3, 2004. Moreover, the documentation is flawed in that none of the invoices included in the newly submitted documents match those on file at DoITT. Therefore, we continue to question the \$3,582,770 that was paid by DoITT.

In addition, we still question the two invoices totaling \$5,061,161, which were not certified or approved for payment. Although the newly-submitted documentation included invoices with the project manager's signature, we noted that the documents were faxed from Accenture on June 3, 2004—the date they were provided to the auditors. We do not understand how a copy faxed from Accenture can have the project manager's approval when such approval is not in the DoITT payment files. Also, the approval noted on the letter from Accenture is dated after the invoice was submitted to DoITT's Audits and Accounts Department, which

processes payments. A project manager's approval of an invoice after it has already been submitted for payment is meaningless.

Missing, Questionable, and Invalid Documentation

Between March 1, 2002, and October 31, 2002, Accenture billed DoITT \$807,885 for services purportedly performed by Accenture employees working on the electronic Service Request Management (eSRM) application of the E-Gov Initiative. Our review of DoITT files revealed that \$655,170 of the \$701,607 billed between March and July was appropriately supported by signed and approved Accenture employee timesheets. No documentation for the remaining \$46,437 billed in May was present in DoITT's files. In addition, the DoITT files for the August to October invoices, totaling \$106,278, did not contain Accenture employee timesheets. Therefore, we could not verify that the amounts billed were legitimate. As a result, DoITT requested that Accenture provide it with copies of the employee timesheets that Accenture had originally submitted in support of the August to October invoices. In response, Accenture provided timesheets that allegedly covered this period as well as July 2002—a month for which DoITT had the original timesheets. The timesheets provided were unsigned, unapproved, and in a format different from the ones that were in the DoITT files. Further, the new timesheets for July contained significant discrepancies between the days and hours worked when compared to the July timesheets in DoITT files. We therefore continue to question the validity of the \$106,278 paid.

Finally, DoITT's files contained no Accenture employee timesheets to support \$347,684 of services supposedly performed on "Consulting Services in Support of E-Gov Initiatives" for August and October 2002. The timesheets covering these months were found by a DoITT official; however, these documents were not signed by an Accenture employee or approved by an Accenture representative and by a DoITT manager.

DoITT Response: "While there were a number of missing timesheets in the file, duplicate timesheets (provided by Accenture) were given to the Comptroller upon notification that they were missing. Since the duplicate timesheets were generated from Accenture's electronic timekeeping system, they did not contain the consultant or project manager signatures."

Auditor Comment: DoITT's response fails to address the most significant issue raised in the audit—discrepancies between the days and hours worked indicated on the timesheets provided by Accenture as compared to those on the timesheets on file at DoITT.

Payment Errors

We found billing errors that resulted in overpayments of \$26,102 (of which \$22,827 was paid by DoITT and \$3,275 was paid by DCAS) and underpayments of \$21,986 (of which \$20,336 was attributable to DoITT projects and \$1,650 was attributable to the NYCAPS project).

The overpayments is attributable to discrepancies between hours on timesheets and hours billed, and billing for hours, which according to the contract, were to be provided at no charge.

The \$21,986 in underpayments is attributable to discrepancies in hours recorded on time sheets and hours billed. Thus, the problems noted on the billings resulted in a net overpayment of \$2,491 (\$22,827 - \$20,336) for DoITT and a net overpayment of \$1,625 (\$3,275 - \$1,650) for DCAS.

RECOMMENDATIONS

DoITT should:

1. Ensure that all payments on contracts are based on signed, complete, and approved invoices. The invoices should be supported by appropriate documentation, such as: signed and approved timesheets with evidence of review and approval by the project manager (for labor), and vendor invoices and receiving and inspection reports (for materials).
2. Reexamine the invoices and supporting documentation for all payments made to Accenture for the 3-1-1 and E-Gov Initiative projects and determine whether any recoupment action is warranted.
3. Recoup the net overpayment of \$2,491 identified in this audit.

DoITT Response: “DoITT agrees with the recommendations contained in the audit report, and

- Will ensure that all payments on contracts are based on signed, complete, appropriately documented, and approved invoices.
- Will re-examine all invoices and supporting documentation for all payments made to Accenture for the 3-1-1 and E-Gov Initiative projects.
- Will recoup all overpayments resulting from the re-examination of invoices and supporting documentation for all payments made to Accenture for the 3-1-1 and E-Gov Initiative projects, including the \$2,743 identified in this audit.”

DCAS should:

4. Reexamine the invoices and supporting documentation for all payments made to Accenture for the NYCAPS project and determine whether any recoupment action is warranted.

DCAS Response: “We Disagree. The sample of payments selected by the auditors for this Audit (eight months, \$6.7 million) is sufficiently large to provide a valid indication of what we might find if this larger reexamination were done. Furthermore, as we explained earlier, during and subsequent to the audited period, the Agency took actions to further strengthen our review and payment processes.

Although we are sympathetic to the goal of this recommendation in not wanting to pay any more than is required, we cannot ignore the fact that performing this review would entail the diversion of a significant level of resources from other, more valuable, activities. There is a high likelihood that this would cost far more than any potential overpayment discovered through such a comprehensive review.”

5. Recoup the \$1,625 overpayment identified during the audit.

DCAS Response: “We agree. A credit will be taken from the next payment due Accenture.”

**DEPARTMENT OF INFORMATION TECHNOLOGY AND
TELECOMMUNICATIONS**

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GINO P. MENCHINI
Commissioner
Chief Information Officer

JOHN P. WINKER
Assistant Commissioner
Financial Services

June 16, 2004

Mr. Greg Brooks
Deputy Comptroller
Policy, Audits, Accountancy & Contracts
New York City Comptroller's Office
Executive Offices
1 Centre Street
New York, N.Y. 10007

**Re: Draft Audit Report on Payments Made by New York City to
Accenture LLP for Consulting Services
FL04-109A**

Dear Mr. Brooks:

The Department of Information Technology and Telecommunications (DoITT) has reviewed the above referenced draft audit report, and has the following comments regarding the findings and recommendations contained therein.

Audit Finding:

The audit report states that, "DoITT paid Accenture a total of \$8,643,931 based on five unsigned, incomplete, unapproved, and improper invoices. Three of the five invoices submitted by Accenture to DoITT, totaling \$3,582,770, were not on Accenture's letterhead, were not signed by an Accenture official, and the services or equipment were not certified as having been received and approved for payment by a DoITT project manager. Two invoices, totaling \$5,061,161, were likewise not certified or approved for payment."

DoITT Response:

The documentation was originally provided to the Comptroller's audit team that resulted in these findings had been incomplete; however, on June 3, 2004, a DoITT official met with representatives of the Comptroller's audit team and provided appropriately signed and approved invoices and supporting documentation for the five invoices in question. However, the report was never updated to reflect the provision of this documentation.

Audit Finding:

The audit found several instances of missing timesheet documentation.

DoITT Response:

While there were a number of missing timesheets in the file, duplicate timesheets (provided by Accenture) were given to the Comptroller upon notification that they were missing. Since the duplicate timesheets were generated from Accenture's electronic timekeeping system, they did not contain the consultant or project manager signatures.

Audit Finding:

The audit found payment errors resulting in a net overpayment to Accenture of \$2,743.

DoITT Response:

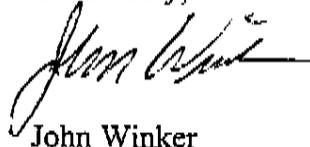
Accenture billing errors that resulted in a net overpayment of \$2,743 are under review. DoITT will seek reimbursement by Accenture of any/all overpayments at the conclusion of its internal review.

Notwithstanding these instances of missing documentation, DoITT did receive all the services paid for, and is satisfied with the performance of Accenture under these two contracts.

In conclusion, DoITT agrees with the recommendations contained in the audit report, and

- Will ensure that all payments on contracts are based on signed, complete, appropriately documented, and approved invoices.
- Will re-examine all invoices and supporting documentation for all payments made to Accenture for the 3-1-1 and E-Gov Initiative projects.
- Will recoup all overpayments resulting from the re-examination of invoices and supporting documentation for all payments made to Accenture for the 3-1-1 and E-Gov Initiative projects, including the \$2,743 identified in this audit.

Yours truly,



John Winker

cc: Margery Brown, DoITT
George Davis III, Mayor's Office of Operations



DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES
OFFICE OF THE COMMISSIONER

ADDENDUM II
1 of 2

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Martha K. Hirst
Commissioner

Citywide Personnel
Services

Facilities
Management &
Construction

Municipal Supply
Services

Real Estate Services

Citywide Equal
Employment
Opportunity

Citywide
Occupational Safety
& Health

Transportation
Services

The City Record

CityStore

June 18, 2004

Mr. Gregory Brooks
Deputy Comptroller for
Policy, Audits, Accountancy, &
Contracts
Executive Offices
1 Centre Street
New York, NY 10007-2341

Re: Audit Report on Payments Made
by New York City to Accenture LLP
for Consulting Services (FL04-109A)

Dear Mr. Brooks:

We welcome the opportunity to provide written comments on this Audit.

We are very pleased that this Audit verified that "... the payments made by DCAS ... to Accenture were reasonable, justified and adequately supported." This statement confirms that DCAS' internal processes for the review of these payments was appropriate and efficient.

We would like to add that during the summer of 2002 this Agency began taking significant steps to strengthen the overall management of the NYCAPS Project. Among other actions, this included the hiring of a new Program Director in February of 2003 and the implementation of even more rigorous controls for consultant contracts. Included in these new processes was a requirement for Project consultants to sign in and out on a daily basis. These time records are now routinely compared to the consultant's billings, and adjustments are made as warranted.

Significantly, the net amount of the \$1,625 overpayment comprised only 0.02% (.0002) of the monies paid to Accenture. The new procedures discussed above will further ensure the accuracy of our payments and likely prevent the reoccurrence of such an extremely small overpayment as the one at issue.

Gregory Brooks
June 18, 2004
Page 2

Recommendations:

4. DCAS should reexamine the invoices and supporting documentation for all payments made to Accenture for the NYCAPS projects and determine whether any recoupment action is warranted.

DCAS Response: We Disagree. The sample of payments selected by the auditors for this Audit (eight months, \$6.7 million) is sufficiently large to provide a valid indication of what we might find if this larger reexamination were done. Furthermore, as we explained earlier, during and subsequent to the audited period, the Agency took actions to further strengthen our review and payment processes.

Although we are sympathetic to the goal of this recommendation in not wanting to pay any more than is required, we cannot ignore the fact that performing this review would entail the diversion of a significant level of resources from other, more valuable, activities. There is a high likelihood that this would cost far more than any potential overpayment discovered through such a comprehensive review.

5. DCAS should recoup the \$1,625 overpayment identified during the Audit.

DCAS Response: We agree. A credit will be taken from the next payment due Accenture.

We would like to thank the auditors for their time, efforts, and professionalism in conducting this Audit.

Very truly yours,



Martha K. Hirst

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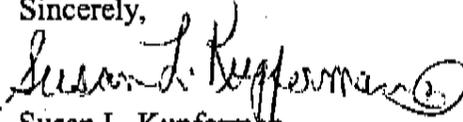
June 16, 2004

Mr. Greg Brooks, Deputy Comptroller
The City of New York, Office of the Comptroller
1 Centre Street
New York, New York 10007-2341Re: Audit Report on Payments Made by New York City
to Accenture LLP for Consulting Services; FL04-109A

Dear Mr. Brooks:

Our office has received a copy of the draft audit report on payments made by New York City to Accenture LLP for consulting services (audit #FL03-109A) and are pleased to see that The Comptroller's Office found that payments made by Operations to Accenture were "reasonable, justified and adequately supported."

Sincerely,


Susan L. Kupfermanc: ✓ Anthony Scully, Office of the Comptroller
Marianne Mullany, Office of the Comptroller
George Davis III, Mayor's Office of Operations