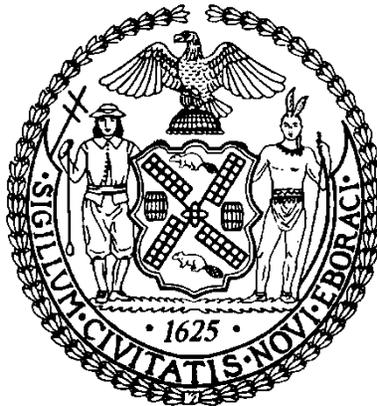


**CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER**

**John C. Liu  
COMPTROLLER**

**MANAGEMENT AUDIT**

**Tina Kim  
Deputy Comptroller for Audit**



**Audit Report on the Use of Purchasing Cards by  
the New York City Department of Citywide  
Administrative Services**

*MD11-105A*

**December 29, 2011**

<http://comptroller.nyc.gov>



THE CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
1 CENTRE STREET  
NEW YORK, N.Y. 10007-2341

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John C. Liu  
COMPTROLLER

December 29, 2011

**To the Residents of the City of New York:**

My office has audited the New York City Department of Citywide Administrative Services' (DCAS's) controls over the use of procurement cards (p-cards). We audit City agencies such as this as a means of ensuring agency compliance with regulations and accountability for resources.

The audit found that, for the most part, DCAS is in compliance with the Comptroller's and Mayor's Office of Contract Services' (MOCS's) guidelines. However, the audit concluded that DCAS needs to improve its internal controls over its use of procurement cards. DCAS's procedure for documenting receipt of goods purchased with p-cards is inadequate, and there was a lack of segregation of duties regarding the ordering and receipt of p-card purchases. In addition, DCAS does not maintain inventory records for or tag equipment purchased with p-cards. Further, DCAS incorrectly paid sales tax for some p-card purchases.

The audit makes seven recommendations, including that DCAS should revise its procedure for documenting receipt of p-card purchases, ensure that the functions of ordering and receiving goods and services are adequately segregated, maintain inventory records of equipment purchased with p-cards, and remind cardholders of their responsibility to avoid sales tax payments.

The results of the audit have been discussed with DCAS officials, and their comments have been considered in preparing this report. Their complete written response is attached to this report.

If you have any questions concerning this report, please e-mail my audit bureau at [audit@comptroller.nyc.gov](mailto:audit@comptroller.nyc.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "John C. Liu".

John C. Liu

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*The City of New York  
Office of the Comptroller  
Management Audit*

**Audit Report on the Use of Purchasing Cards by the  
Department of Citywide Administrative Services**

**MD11-105A**

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**AUDIT REPORT IN BRIEF**

We performed an audit on the Department of Citywide Administrative Services (DCAS) to determine whether it has adequate controls over the use of procurement cards (p-cards), whether it realized cost savings from its use of p-cards, and whether additional cost savings can be realized.

A p-card is an agency-issued credit card that allows micro-purchases<sup>1</sup> for needed goods and services to be made quickly and with a streamlined procurement process at an anticipated reduced administrative cost. DCAS, like the majority of City agencies, uses p-cards issued by Bank of America. DCAS had 12 active p-cards with 369 transactions totaling \$259,995 during Fiscal Year 2010.

**Audit Findings and Conclusions**

For the most part, DCAS complied with the guidelines set forth in Comptroller's Memorandum #01-1 and Mayor's Office of Contract Services' (MOCS's) guidelines. The cardholders maintained receipts and invoices for all sampled p-card transactions, maintained procurement logs, and conducted monthly reconciliations. Additionally, user contracts were on file for all cardholders, the monthly statements and supporting documents were sent to the Audits & Accounts department for an independent review, and DCAS paid its credit card bills on time. The audit found no evidence that the sampled p-card transactions were intentionally split to circumvent the p-card purchasing limit.

However, we concluded that DCAS needs to improve its internal controls over its use of procurement cards. DCAS's procedure for documenting receipt of goods purchased with p-cards is inadequate, and there was a lack of segregation of duties regarding the ordering and receipt of p-card purchases. In addition, DCAS does not maintain inventory records for or tag equipment purchased with p-cards. Further, DCAS incorrectly paid sales tax for some p-card purchases.

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<sup>1</sup> Micro-purchases are non-recurring small purchases up to and including \$5,000 and can be made using a purchase order or a p-card.

### **Audit Recommendations**

Based on our findings, we make seven recommendations, including that DCAS should:

- Revise its procedure for documenting receipt of p-card purchases to include maintaining receiving reports, packing slips, or marked invoices and ensure that the receipt of goods and services is consistently documented.
- Ensure that the functions of ordering and receiving goods and services are adequately segregated.
- Maintain inventory records of equipment purchased with p-cards. In addition, items should be tagged and a physical inventory count should be conducted periodically.
- Remind cardholders of their responsibility to avoid sales tax payments and recoup the sales tax that has yet to be recouped.

### **Agency Response**

In its response, DCAS officials generally agreed with six of the audit's seven recommendations and partially agreed with the remaining recommendation.

## INTRODUCTION

### **Background**

A p-card is an agency-issued credit card that allows micro-purchases for needed goods and services to be made quickly and with a streamlined procurement process at an anticipated reduced administrative cost. The primary benefits to the agency are user convenience, the elimination of intermediate steps required by the City's traditional procurement processes, and a reduction in the internal documentation needed to support a purchase and its payment. The City's purchasing card program provides guidance on financial controls, oversight, and transparency. MOCS administers the program and provides technical assistance to agencies.

In June 2001, the Comptroller's Office issued Comptroller's Memorandum #01-1, *Guidelines for the Use of Procurement/Purchasing Cards*, which provides guidelines for City agencies in authorizing, paying, and complying with the City's procurement policies and procedures when using p-cards. DCAS also uses MOCS's City of New York P-Card Policies and Guidelines.

DCAS, like the majority of City agencies, uses p-cards issued by Bank of America. Purchases on each p-card are limited to \$5,000 per transaction, and DCAS has established limits for each cardholder from \$1,000 to \$5,000 per transaction and monthly limits from \$5,000 to \$50,000. DCAS uses Procurement Card Transaction Logs (logs) to document purchases, including the transaction date, vendor name, unit price, recipient's name, product description, and delivery date. The cardholder signs the log and forwards it and the supporting documents to his/her group administrator who then reviews the documentation and approves and co-signs the log.

According to credit card statements, DCAS had 12 active p-cards with 369 transactions totaling \$259,995 during Fiscal Year 2010.

### **Objectives**

The objectives of the audit were to determine whether DCAS:

- Has adequate controls over the use of purchasing cards and follows the guidelines set forth in Comptroller's Memorandum #01-1.
- Realized cost savings from its use of p-cards.
- Could realize additional cost savings from its use of p-cards.

### **Scope and Methodology Statement**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis

for our findings and conclusions based on our audit objectives except for a lack of sufficient, appropriate evidence to determine whether DCAS has realized or could realize additional cost savings from its use of p-cards. This issue is detailed in the subsequent paragraph. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

DCAS has not conducted and the City has not published any studies on the dollar value of the administrative cost savings that can or could be achieved by using a p-card versus a traditional purchase order. For illustrative purposes, we therefore relied on data publicized by RPMG Research Corporation<sup>2</sup> (RPMG) in its 2010 Purchasing Card Benchmark Survey to provide an estimate of potential cost savings through increased p-card usage. We have not reviewed, analyzed, or tested the publicized RPMG Research Corporation data.

The audit scope was Fiscal Year 2010. Please refer to the Detailed Scope and Methodology at the end of this report for specific procedures and tests that were conducted.

### **Discussion of Audit Results**

The matters covered in this report were discussed with DCAS officials during and at the conclusion of this audit. A preliminary draft report was sent to DCAS officials and discussed at an exit conference held on November 18, 2011. On December 1, 2011 we submitted a draft report to DCAS officials with a request for comments. We received a written response from DCAS officials on December 13, 2011. In their response, DCAS officials generally agreed with six of seven of the audit's recommendations and partially agreed with the remaining recommendation. DCAS officials stated, "We have reviewed the Report and find it to be a fair assessment of DCAS' use of Purchasing Cards (P-Cards)."

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

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<sup>2</sup> RPMG Research Corporation serves business and governmental agencies through data collection, detailed analyses, and dissemination of information about current trends and practices in the use of bank commercial cards, e-procurement technologies and other technologies affecting the expenditure cycle of organizations.

## **FINDINGS AND RECOMMENDATIONS**

The audit found that DCAS needs to improve its controls over the use of p-cards. For the most part, DCAS complied with the guidelines set forth in Comptroller's Memorandum #01-1 and MOCS's guidelines. The cardholders maintained receipts and invoices for all sampled p-card transactions, maintained procurement logs, and conducted monthly reconciliations. Additionally, user contracts were on file for all cardholders and signed by both the cardholder and the p-card group administrator. The monthly statements and supporting documents are sent to the Audits & Accounts department for an independent review and DCAS paid its credit card bills on time. Further, the audit found no evidence that the sampled p-card transactions were intentionally split to circumvent the p-card purchasing limit.

However, we concluded that DCAS needs to improve its internal controls over its use of procurement cards. DCAS's procedure for documenting receipt of goods purchased with p-cards is inadequate, and there was a lack of segregation of duties regarding the ordering and receipt of p-card purchases. In addition, DCAS does not maintain inventory records for or tag equipment purchased with p-cards. Further, DCAS incorrectly paid sales tax for some p-card purchases.

DCAS has not conducted, nor has the City published, any studies on the dollar value of the administrative cost savings, if any, that are achieved by using a p-card versus a traditional purchase order. Nevertheless, using the expected administrative cost savings cited in a study conducted by a research group, it is likely that DCAS realized cost savings by using p-cards and may realize additional savings by expanding its use of p-cards.

### **DCAS's Purchasing Card Program Has Control Weaknesses**

#### **Inadequate Controls for Documenting Receipt of Goods and Services**

DCAS's procedure for documenting receipt of p-card purchases is inadequate and does not comply with Comptroller's Memorandum #01-1. Upon receiving the goods or services, the cardholders are required to note the delivery date and place a check mark on the log to indicate receipt for each item. The cardholder and group administrator are required to sign the log attesting to its accuracy. However, DCAS's procedure does not require that other documentation, such as receiving reports or packing slips, be kept and attached to evidence receipt.

According to Comptroller's Memorandum #01-1, all purchases should be tracked in a log and receiving reports should be maintained. The memorandum also states that before any payments are made, the billing statement must be compared to the card usage log and receiving reports. Because DCAS does not require that receiving reports, packing slips, or invoices marked with receipt information be maintained, an adequate independent review cannot be conducted in accordance with #01-1.

## **Inadequate Compliance with DCAS Controls for Documenting Receipt of Goods and Services**

DCAS personnel did not comply with DCAS's procedures for a variety of log documentation issues. The logs did not indicate receipt for all sampled purchases. We found that 16 (20 percent) of the 80 sampled p-card purchases, totaling \$7,701, did not have evidence of receipt indicated on the logs as required nor was there other documentation present indicating receipt.

In addition, the cardholders are not recording all of the required information on the log, and the group administrators are not adequately reviewing the log and following up when information is missing. Without accurate and complete transaction logs or other evidence indicating receipt, DCAS does not have adequate documentation to determine whether all purchases were actually received.

Our review of the supporting documentation determined that the receipt of the goods was only documented on the invoice (e.g., date, stamp, etc.) for seven (9 percent) purchases. The concern is that the group administrator does not have a receiving report or signed invoice to review and compare against the log. The cardholder is essentially attesting to the receipt of goods or services by filling in and signing the log. The log is then signed by the group administrator, but without the supporting documentation to independently verify receipt, the review by the group administrator is insufficient.

### **Lack of Segregation of Duties**

DCAS did not always monitor, track, or record the delivery of goods from cardholders to employees and/or various units within DCAS and, in some instances, the cardholder both ordered and documented receiving the items. For 18 purchases, the final recipient information was left blank, so it is possible that the cardholder both ordered and received these purchases. For an additional 17 purchases, the cardholder was listed as the final recipient and the logs did not list the specific items purchased. For these 17 purchases, the cardholder both ordered and indicated that he/she received the items directly from the vendor, indicating a lack of segregation of duties in the processing of p-card transactions. A review of these 17 invoices indicated that the majority of these items were shipped from the vendor, not directly purchased in a store. The duties of ordering and receiving should have been segregated in such instances. Some of the purchases were for scanners, shredders, speakers, printers, and computer software in the amount of \$33,339.

MOCS's Guidelines stipulate that the cardholders are responsible for identifying the ultimate recipient of the purchase and should include the recipient's name in the p-card log. In addition, according to Comptroller's Directive 24, "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." The lack of the recipient's name on the log and a lack of proper segregation of duties increases the potential for fraud and the misappropriation or misuse of funds.

## **Inventory Records for P-card Purchases Are Not Maintained**

DCAS does not maintain inventory records for or tag equipment purchased with the p-card.

We identified items that were both ordered and documented as being received by the cardholder as well as items for which there was no evidence of receipt. We considered some of these items portable equipment that can be easily converted to personal use. To verify that the purchased goods were received, we combined the 16 purchases that did not have evidence of receipt and the 17 purchases that were both ordered and documented as received by the cardholder and focused on nine non-consumable purchases with higher dollar values. These purchases included printers, shredders, scanners, and speakers totaling \$24,750 (32 percent) of our sampled purchases of \$78,112. DCAS maintains inventory records not specific to p-card purchases. However, these p-card purchased items were not included in DCAS's inventory records.

We attempted to locate these items on a visit to DCAS and, although we were able to visually inspect the nine purchases, they were not tagged, had no identification numbers, and were not identified as DCAS property. Comptroller's Directive #1 requires that "An agency must establish physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, computers and other equipment, which might be vulnerable to risk of loss or unauthorized use. Periodic counting and comparison to control records for such assets is an important element of control of these assets."

When equipment is not inventoried, thefts may occur and go undetected, equipment may be disposed of improperly, and duplicate equipment may be unnecessarily purchased.

### **Recommendations**

DCAS should:

1. Revise its procedure for documenting receipt of p-card purchases to include maintaining receiving reports, packing slips, or marked invoices and ensure that the receipt of goods and services is consistently documented.
2. Ensure that cardholders record on the log the items purchased and the individual or unit within DCAS that ultimately receives them.
3. Ensure that the functions of ordering and receiving goods and services are adequately segregated.
4. Ensure that group administrators include a review of supporting documentation (e.g., receiving reports, marked invoices) as part of its examination of p-card purchases.

**DCAS Response:** With regard to recommendations one through four, DCAS official stated, "P-Card Administrators have been reminded of these responsibilities. DCAS has

now prepared a checklist for submission with the monthly documentation provided for each P-Card billing. This document specifically outlines the procedural and documentation requirements, and necessitates that the individual P-Card Administrators certify that the internal controls have adhered to and the log has been completed in its entirety. These controls will address the issues raised in these recommendations.”

5. Maintain inventory records of equipment purchased with p-cards. In addition, items should be tagged and a physical inventory count should be conducted periodically.

***DCAS Response:*** “The receiving report for equipment will now include the Model/Serial numbers for the equipment purchased, and this document will note the internal DCAS inventory tracking number for each item. This will ensure that the items have been tagged and added to the Equipment Inventory Database, prior to sending the P-Card log and associated required documentation to the Audits and Accounts Unit. As part of the Inventory Database, this equipment will be subject to the inventory checking processes.”

### **Sales Taxes Incorrectly Charged**

During our review, we found that DCAS was incorrectly charged sales tax totaling \$379 for six (8 percent) of the 80 sampled p-card purchases.

MOCS’s guidelines state that it is the responsibility of the cardholder to inquire about applicable taxes prior to confirming orders to the vendor and verify that invoices include only taxes that New York City is obligated to pay. It also states that program administrators should determine whether sales tax has been paid and take appropriate actions to recoup the taxes.

The six purchases were made by two cardholders in June 2010. We brought this issue to the attention of DCAS officials on July 7, 2011. According to information provided by DCAS officials on August 3, 2011, three of the sales tax payments were credited by the vendors (\$45.25 on September 27, 2010, \$5.98 on August 2, 2011, and \$10.30 on August 4, 2011). For the remaining three cases, DCAS officials are still attempting to recoup the \$317 in sales tax. Even though DCAS has or is disputing the paid taxes, it appears as if DCAS did not identify that taxes were paid for five of the purchases and did not start the process for recoupment until after we brought this issue to its attention.

Cardholders are not verifying that invoices include only taxes that New York City is obligated to pay when making purchases, and group administrators are not adequately reviewing the purchases to ensure sales tax was not paid. It takes time and effort for DCAS to recoup incorrectly paid sales taxes. In addition, paying sales tax is an unnecessary expense and reduces the amount of money available for other items needed to be purchased by the agency.

### **Recommendation**

6. DCAS should remind cardholders of their responsibility to avoid sales tax payments and recoup the sales tax that has yet to be recouped.

***DCAS Response:*** “DCAS personnel are aware of their responsibilities to avoid sales tax charges. The data indicates that the outstanding sales tax charges identified by the auditors (\$317.00) were generated by only two vendors, and attempts have been made to recoup the sales taxes from these vendors. DCAS has recently filed paperwork with the New York State Department of Taxation and Finance for the refund of these monies.”

***Auditors’ Comment:*** We are pleased that DCAS is attempting to recoup the outstanding sales tax charges. However, although DCAS has stated that its personnel are aware of their responsibilities to avoid sales tax charges, we identified instances where sales tax was paid. DCAS should reiterate the importance of this practice to cardholders.

### **Potential Administrative Cost Savings by Using P-cards**

By using the \$71 savings per transaction as cited in a study conducted by a research group as a benchmark, it is possible that DCAS may have realized as much as \$25,134 in total administrative savings for Fiscal Year 2010 by using p-cards.

In Fiscal Year 2010, the City expanded the use of p-cards and set a long-term goal for p-card use of 33 percent of all micro-purchases. In Fiscal Year 2010, DCAS made 354 micro-purchases with p-cards (totaling \$257,418) and 855 traditional micro-purchases for a total of 1,209 micro-purchases with a value of \$1,888,295. DCAS’s Fiscal Year 2010 p-card purchases represented 14 percent of its total dollar value of micro-purchases and 29 percent of the total number of micro-purchases, close to the City’s long-term goal for p-card use of 33 percent.

We attempted to determine whether DCAS realized cost savings by using p-cards instead of a traditional purchase order process. DCAS has not, however, conducted and the City has not published any studies on the dollar value of the administrative cost savings, if any, that are achieved by using a p-card versus a traditional purchase order.

Therefore, we conducted internet research to obtain data on possible p-card cost savings. Most of the information we found was outdated. Because of the limited current information available on cost savings, we decided to use information published by RPMG.

RPMG has published numerous articles and studies pertaining to the use of p-cards, including the 2010 Purchasing Card Benchmark Survey, which is an analysis of the purchasing card market including trends, benchmark data, and variables that factor into program success. According to RPMG, the report was based on over 1,900 responses from p-card end users representing public and private corporations, state and federal government, city and county government, public and private universities and colleges, and school districts. The study found that the use of p-cards generates administrative costs savings of about \$71 per transaction when compared to traditional purchase order payment methods.

By using the \$71 savings per transaction as cited in the RPMG study, it is possible that DCAS may have realized as much as \$25,134 in total administrative savings for the fiscal year. In ascertaining the possible savings realized by the agency, we multiplied the total number of p-

card purchases (354) by the possible savings of \$71 per transaction. Should DCAS choose to further expand its use of p-cards to other micro-purchases, it is possible that additional savings can be achieved. For example, if DCAS increases the number of p-card purchases to 500 per fiscal year, the administrative savings (at the above noted \$71 per transaction) could be as much as \$35,500, an additional savings of approximately \$10,366. If DCAS were to expand its use of p-cards even further, to 600 micro-purchases for example, the total administrative savings could be as much as \$42,600.

**Recommendation**

7. DCAS should consider increasing its use of p-cards in view of the City’s p-card usage goal and possible cost savings.

*DCAS Response:* “DCAS is in agreement with this recommendation and will be pursuing opportunities to expand the use of this program both within this Agency and throughout the City, and thereby maximize the benefits of this program.”

## **DETAILED SCOPE AND METHODOLOGY**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives except for a lack of sufficient, appropriate evidence to determine whether DCAS has realized or could realize additional cost savings from its use of p-cards. This issue is detailed in the subsequent paragraph. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

DCAS has not conducted and the City has not published any studies on the dollar value of the administrative cost savings that can or could be achieved by using a p-card versus a traditional purchase order. For illustrative purposes, we therefore relied on data publicized by RPMG in its 2010 Purchasing Card Benchmark Survey to provide an estimate of potential cost savings through increased p-card usage. We have not reviewed, analyzed, or tested the publicized RPMG data.

The audit scope was Fiscal Year 2010.

To gain an overall understanding of the DCAS P-Card Program, we reviewed Comptroller's Memorandum #01-1, City of New York P-card Policies and Guidelines, and DCAS's Procurement Card User Contract. Additionally, we used as criteria Comptroller's Directive #1, "Principles of Internal Control," and Comptroller's Directive #24, "Agency Purchasing Procedures and Controls." We interviewed DCAS officials responsible for overseeing the p-card program, two cardholders, and two p-card group administrators.

To determine whether only authorized cardholders are using the p-cards, we obtained a list of all DCAS p-card users (including their single transaction limit and monthly limit) and compared the names on the list with the names of users on each of the Bank of America billing statements. In addition, we reviewed the Cardholder User Contracts to see whether all cardholders had completed and signed one.

We examined DCAS's Bank of America billing statements for Fiscal Year 2010 (statements dated from June 27, 2009, through July 27, 2010) to determine whether the bills were paid on time. We judgmentally selected for review the month of June 2010 because it had the greatest number of p-card transactions. We reviewed the billing period of May 28, 2010, through June 25, 2010, which had 87 p-card transactions totaling \$78,112, representing about 30 percent of the 369 Fiscal Year 2010 transactions totaling \$259,995.

We reviewed the purchases to determine whether invoices or charge receipts describing the purchases were present and matched the charges on the credit card statement, whether receipt was evidenced, and whether logs of card use were maintained by each user. Further, we reviewed the purchased items to ascertain whether they were available through DCAS Requirements Contracts, because p-cards should generally not be used for items that can be obtained from these

contracts. In addition, we determined whether any purchases exceeded the individual single transaction or monthly purchase thresholds, whether any purchases were split to circumvent the purchasing thresholds, and whether sales taxes were paid for any purchases.

We checked invoices, packing slips, and logs to verify that all purchased goods were actually received and delivered to either DCAS personnel or a unit within DCAS. We visually inspected some of the purchased goods (we identified the item and cross referenced them to the invoice for the model and/or make). We selected items that were both ordered and documented as being received by the cardholder as well as items for which there was no evidence of receipt. We focused our selection on non-consumable items with higher costs.

To determine whether DCAS realized cost savings by using p-cards and whether additional savings can be achieved, we met with MOCS representatives and discussed the methodology they used in assessing the cost of a micro-purchase activity. To determine the number and dollar value of micro-purchases made by DCAS in Fiscal Year 2010, we obtained a list of DCAS micro-purchases from MOCS. Additionally, we verified whether the p-card purchases made by DCAS in Fiscal Year 2010 were included in the amount presented in MOCS's Agency Procurement Indicators. Because no analysis was done at the agency level to analyze the cost savings of using p-cards, we conducted research to obtain information on the cost savings that can be achieved using a p-card versus a traditional purchase order. Most of the information we found was outdated. The most current information we found was published by the RPMG, which has published numerous articles and studies pertaining to the use of p-cards, including the 2010 Purchasing Card Benchmark Survey, which is an analysis of the purchasing card market, including trends, benchmark data, and variables that factor into program success.

To determine whether DCAS has realized potential administrative cost savings by using p-cards, we multiplied the yearly purchases of 354 (369 transactions minus 15 credits) by the administrative cost savings identified in the RPMG 2010 Purchasing Benchmark Survey. Lastly, we estimated the additional savings DCAS could achieve if it increases its use of p-cards.

While the results of our tests are not projectable to the entire population of Fiscal Year 2010 p-card purchases, they provided a reasonable basis for us to determine whether DCAS has adequate controls over the use of p-cards.

Edna Wells Handy  
Commissioner

December 15, 2011

1 Centre Street  
17<sup>th</sup> Floor  
New York, NY 10007

(212) 669 7111 tel  
(212) 669 8992 fax

Tina Kim  
Deputy Comptroller for Audits  
Office of the Comptroller  
1 Centre Street, Room 1100  
New York, NY 10007-2341

RE: Audit Report on the Use of Purchasing  
Cards by the Department of Citywide  
Administrative Services (DCAS)  
(MD11-105A)

Dear Ms. Kim:

Thank you for providing a draft of the referenced Draft Audit Report. We have reviewed the Report and find it to be a fair assessment of DCAS' use of Purchasing Cards (P-Cards). We welcome the opportunity to respond to the Draft Audit Report and would like to extend our appreciation to your audit team for conducting a commendable Audit.

Since I became Commissioner approximately one-year ago, I have installed a new management team, and we are in the process of conducting in-depth reviews of all our business operations. Our goal is to safeguard the integrity of DCAS operations, and to identify opportunities to significantly improve our services. This is consistent with the objectives of this Audit.

We believe that the use of P-Cards provides a number of advantages for the City. This includes an expedited purchasing process, shorter timeframes for the receipt of monies by the vendor community, shorter timeframes for the receipt of goods or services purchased, and rebates on monies spent. The fact that vendors receive their monies more expeditiously also encourages greater levels of participation by Minority / Women's Business Enterprises (M/WBE).

To date the Citywide P-Card program had been administered by the Mayor's Office of Contract Services (MOCS), and managed within DCAS by the Audits and Accounts Unit, that is also responsible for the proper and timely payment of all bills. I am pleased to inform you that this program will be moving in its entirety to the DCAS Citywide Purchasing Line of Service in the near future. This reorganization will enable DCAS to maximize the benefits of P-Card usage not only in our own Agency, but also throughout the City.

This Audit examined DCAS' P-Card usage for FY2010. We are pleased that the auditors reviewed the following activities and judged them to be satisfactory:

- DCAS generally complied with the Guidelines set forth in City Comptroller's Memorandum #01 – 1 and the MOCS P-Card usage guidelines.
- Cardholders maintained receipts and invoices for all sampled transactions.
- Cardholders maintained procurement logs.
- Cardholders/Administrators conducted monthly reconciliations.
- User contracts were properly executed and on file.
- Independent (Audits and Accounts) review of statements were performed.
- Credit card bills were paid on time.
- No improper or unallowed transactions were made.
- All goods purchased (sample) were able to be located and observed by the Auditors.
- No evidence was found to support that P-Card transactions were intentionally split to circumvent the purchasing limits.

Regarding the specific recommendations, we would like to provide you with updated responses for inclusion in the Final Audit Report. These responses are as follows:

1. Comptroller Recommendation: DCAS should revise its procedure for documenting receipt of P-Card purchases to include maintaining receiving reports, packing slips, or marked invoices and ensure that the receipt of goods and services is consistently documented.
2. Comptroller Recommendation: DCAS should ensure that cardholders record on the log the items purchased and the individual or unit within DCAS that ultimately receives them.
3. Comptroller Recommendation: DCAS should ensure that the functions of ordering and receiving goods and services are adequately segregated.
4. Comptroller Recommendation: DCAS should ensure that group administrators include a review of supporting documentation (e.g., receiving reports, marked invoices) as part of its examination of P-Card purchases.

DCAS Responses 1 – 4: P-Card Administrators have been reminded of these responsibilities. DCAS has now prepared a checklist for submission with the monthly documentation provided for each P-Card billing. This document specifically outlines the procedural and documentation requirements, and necessitates that the individual P-Card Administrators certify that the internal controls have adhered to and the log has been completed in its entirety. These controls will address the issues raised in these recommendations.

5. Comptroller Recommendation: DCAS should maintain inventory records of equipment purchased with P-Cards. In addition, items should be tagged and a physical inventory count should be conducted periodically.

DCAS Response 5: The receiving report for equipment will now include the Model/Serial numbers for the equipment purchased, and this document will note the internal DCAS inventory tracking number for each item. This will ensure that the items have been tagged and added to the Equipment Inventory Database, prior to sending the P-Card log and associated required documentation to the Audits and Accounts Unit. As part of the Inventory Database, this equipment will be subject to the inventory checking processes.

6. Comptroller Recommendation: DCAS should remind cardholders of their responsibility to avoid sales tax payments and recoup the sales tax that has yet to be recouped.

DCAS Response 6: DCAS personnel are aware of their responsibility to avoid sales tax charges. The data indicates that the outstanding sales tax charges identified by the auditors (\$317.00) were generated by only two vendors, and attempts have been made to recoup the sales taxes from these vendors. DCAS has recently filed paperwork with the New York State Department of Taxation and Finance for the refund of these monies.

7. Comptroller Recommendation: DCAS should consider increasing its use of P-Cards in view of the City's P-Card usage goal and possible cost savings.

DCAS Response 7: DCAS is in agreement with this recommendation and will be pursuing opportunities to expand the use of this program both within this Agency and throughout the City, and thereby maximize the benefits of this program.

We appreciate the opportunity to review and provide our comments to the Draft Report.

Sincerely,



Edna Wells Handy

C: George Davis, Office of the Mayor  
Richard Badillo  
Mitch Gipson  
Robert Granick  
Chris Lane  
Mitchell Paluszek  
Sergio Paneque  
John Pontacolone  
David Taylor-Fink, Office of the Mayor