



CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
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DEPUTY COMPTROLLER FOR
AUDIT

BUREAU OF AUDIT

April 3, 2020

By Electronic Mail

Mr. Neil Matthew
Executive Director
New York City Office of Payroll Administration
5 Manhattan West
New York, NY 10001

Re: Letter Report on the New York City Office of Payroll Administration's Controls over Purchasing Practices for Other Than Personal Services Expenditures (Audit #MD20-058AL)

Dear Mr. Matthew:

This Letter Report concerns the New York City Office of Payroll Administration's (OPA's) purchasing practices for Other Than Personal Services (OTPS) expenditures. The objective of this audit was to determine whether OPA maintains adequate financial controls over purchasing practices for OTPS expenditures.

Our audit found that OPA generally maintains adequate controls over its purchasing practices for OTPS expenditures. Specifically, the audit found that OPA generally adhered to its own policies and procedures, Citywide Purchasing Card (P-Card) Policies and Guidelines, Comptroller's Directives, and Procurement Policy Board (PPB) Rules with regards to the sampled purchases. We found that OPA generally initiated and properly processed and approved purchases using its Purchase Request System (PRS); purchased items, when applicable and available, through the use of City requirements contracts; maintained adequate supporting documentation for sampled purchases; tracked the sampled equipment purchased; properly approved transactions; charged the correct object codes; and maintained adequate segregation of duties regarding its purchasing practices.

Background

Since 1984, OPA has provided processing and delivery of payroll and employee benefit services to more than 300,000 civil service workers at over 80 New York City government agencies. OPA is responsible for guiding the continued development and innovative enhancement of the Payroll Management System and related sub-systems, distributing employee pay, maintaining payroll bank accounts, coordinating payroll-related matters among central and line agencies and between the City and external organizations (such as the Internal Revenue Service), developing and disseminating uniform payroll procedures, and maintaining the integrity and accuracy of the City's payroll.

From July 1, 2018 through September 17, 2019, OPA expended a total of \$1,341,117 in OTPS expenditures for goods and services (including maintenance and support of hardware and software, off-site storage, database subscriptions, etc.)

Findings and Recommendation

OPA generally maintained adequate financial controls over its purchasing practices for OTPS expenditures. OPA's OTPS voucher payments consisted of 265 payments.¹ For our sample of 34 (16 percent) of the 212 general purchase transactions made between July 1, 2018 through September 17, 2019 we found that the sampled purchases were: properly initiated and approved in PRS, when applicable; purchased through the use of City Requirement Contracts, when available; adequately supported with documentation; and paid and charged to the correct object codes. We also found that the responsibilities for initiating, receiving, and approving purchases were adequately segregated.

Our review of a sample of 13 (27 percent) of the 49 P-Card transactions made during Fiscal Year 2019 found that those P-Card transactions were: properly initiated and approved in PRS; made by the sole P-Card holder authorized to make purchases; under the single transaction limit of \$20,000; appeared to be made for legitimate business purposes; properly supported with documentation; charged to the appropriate object codes; paid timely; and adequately segregated between individuals responsible for initiating, receiving, and approving purchases. We also identified and located the sampled equipment purchased using the P-Card and found that the only sampled item required to be inventoried was appropriately included on an inventory list.

While our audit found that OPA generally maintained adequate controls, we nevertheless identified four documents—one purchase request and three invoices—that were missing from OPA's procurement files at the time of our review. These documents were subsequently provided to us by OPA. OPA stated that these documents have since been placed in the respective folders.

We recommend that OPA ensure that all documents related to its purchases are printed and maintained in its procurement files.

Independence Disclosure

OPA is overseen by a two-member board of directors appointed by the Mayor, one representing the Mayor and one recommended by and representing the Comptroller. The Comptroller's designee was not involved in planning or conducting this audit, or in writing or reviewing this audit report.

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,

¹ Of the 265 payments made: 212 were related to general purchases; 49 were for P-Card transactions; and 4 were non-procurement related payments and therefore not applicable to our review.

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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 objective. 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.

The scope of this audit was July 1, 2018 through September 17, 2019. To evaluate OPA's controls over its purchases for expenditures related to OTPS, we interviewed the Director of Fiscal Services, Agency Chief Contracting Officers, and the Director of Facility Operations regarding their duties and responsibilities.

To assess the adequacy of OPA's internal controls as they related to our audit objective, we evaluated information obtained from our interviews of agency officials and our review of the agency's policies and procedures. We used the following as audit criteria:

- Comptroller's Directive #1, *Internal Control Checklist and Principles of Internal Control*;
- Comptroller's Directive #24, *Agency Purchasing Procedures and Controls*;
- Procurement Policy Board (PPB) Rules;
- Clear Quest *Purchase Request* (PR) Record System Flow;
- Citywide Purchasing Card (P-Card) Policies and Guidelines;
- FISA-OPA Procedures for P-Card Usage; and
- FISA Warehouse Receiving Procedures.

To determine the reliability of the OTPS expenditures listing provided by OPA, we compared the expenditures listed to a report of expenditures generated from the City's Financial Management System (FMS) which is used by all City agencies for the tracking and processing of expenses.

To determine whether OPA complied with PPB rules, Comptroller's Directives, P-Card policies and guidelines, and its own procedures, we obtained from FMS a list of OPA's OTPS voucher payments from July 1, 2018 through September 17, 2019, consisting of 265 payments totaling \$1,341,117. Of the 265 general purchase transactions identified, 49 were related to P-Card transactions, totaling \$37,501, and the remaining 212, totaling \$1,263,107 were related to general purchases. Four transactions were non-procurement related and therefore not applicable to our review.

For our test of P-Card transactions we selected the two months of the fiscal year with the largest total payments, September 2018 and February 2019, totaling \$6,297 and \$6,768, respectively. These two payments accounted for 13 of the 49 transactions and were approximately 35 percent of the total P-Card spending during Fiscal Year 2019.

For the remaining 216 purchases we selected the two highest dollar amount transactions out of the eight transactions that were payable to OPA without assigned object codes. We then also selected for review the only two miscellaneous voucher payments made during Fiscal Year 2019, totaling almost \$39,000. We then grouped the remaining 212 transactions by vendor and then by

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disbursement number leaving us with 127 unique disbursement numbers and randomly selected 20 (16 percent) of the 127 unique disbursement numbers (covering 34 transactions) using Audit Command Language software.

We obtained the supporting documentation (e.g., purchase requisitions, purchase orders, receiving documents, and invoices) for all sampled purchases. The vouchers and supporting documentation for each of the sampled transactions were examined to determine whether: (1) required purchasing documents were appropriately prepared and approved; (2) goods or services were certified as received; (3) payments were appropriately authorized, made promptly in the correct amount, did not include sales tax, and were paid to the correct vendor; (4) the expenditures were for legitimate and necessary business purposes and charged to the correct object codes; (5) purchases were made through the use of City Requirements Contracts when applicable and necessary; (6) sampled purchased equipment was identified and located; (7) payments were made to the vendor within 30 days after the invoice was received; and (8) an adequate segregation of duties was in place over the initiating, receiving, and approving of the purchases.

Since OPA had only four Petty Cash transactions totaling \$327 and because the agency performs annual audits of its Petty Cash Fund transactions and found no issues, we decided not to review these transactions.

Although some of the above tests involved samples, the results of which were not projectable to the respective populations, these tests, along with other tests and analyses performed on this audit, provided us with a reasonable basis to assess OPA's controls over its OTPS expenditures.

The matters covered in this letter report were discussed with OPA officials during and at the conclusion of this audit. A preliminary draft letter report was sent to OPA on March 13, 2020. OPA officials elected to forgo an exit conference, and on March 31, 2020 we submitted a draft letter report to OPA officials with a request for comments. We received a written response from OPA officials on the same day, March 31, 2020. In their response, OPA officials stated that they accept the report's recommendation and have no further comments.

The full text of OPA's response is included as an addendum to this letter report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Marjorie Landa', with a long horizontal flourish extending to the right.

Marjorie Landa

c: Suresh George, Senior Internal Auditor, Office of Payroll Administration
Jeff Thamkittikasem, Director, Mayor's Office of Operations
George Davis III, Deputy Director, Mayor's Office of Operations
Florim Ardolli, Associate Director for Audits, Mayor's Office of Operations



The City of New York

Financial Information Services Agency

Office of Payroll Administration

Neil Matthew
Executive Director

Office of the Comptroller
Bureau of Audit

Attention: Marjorie Landa

March 31, 2020

Re: OPA's Response to the Draft Letter Report on the New York City Office of Payroll Administration's Controls over Purchasing Practices for Other Than Personal Services Expenditures (Audit #MD20-058AL)

Dear Ms. Landa,

OPA leadership acknowledges and accepts the report and recommendation as is and has no comments/response to provide.

Sincerely,

A handwritten signature in black ink, appearing to read "S. George".

Suresh George
FISA-OPA Internal Audit