

AUDIT REPORT

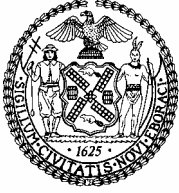


CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF MANAGEMENT AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on the Procurement Practices of the New York City Law Department

MH06-086A

June 28, 2006



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 audited the procurement practices of the New York City Law Department.

The Law Department is the attorney for the City, City agencies, and certain non-City agencies and pension boards. We audit the purchasing practices of City agencies such as this to ensure that public funds are expended appropriately and in accordance with established procedures and safeguards.

The results of our audit, which are presented in this report, have been discussed with the Law Department officials, and their comments have been considered in preparing this report. Their complete written response is attached to this report.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please e-mail my audit bureau at audit@comptroller.nyc.gov or telephone my office at 212-669-3747.

Very truly yours,

A handwritten signature in cursive script that reads "William C. Thompson, Jr.".

William C. Thompson, Jr.

WCT/ec

Report: MH06-086A

Filed: June 28, 2006

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

**Audit Report on the Procurement Practices
of the New York City Law Department**

MH06-086A

AUDIT REPORT IN BRIEF

This audit determined whether the New York City Law Department (Department) procures Other Than Personal Services (OTPS) in accordance with applicable procurement procedures, including the City's Procurement Policy Board (PPB) rules, Comptroller's directives, and its own formal procedures. The scope period of this audit was Fiscal Year 2005. The Department is the attorney for the City, City agencies, and certain non-City agencies and pension boards. The Department is in charge of litigation and other legal matters involving the City and its interests. During Fiscal Year 2005, the Department's budget was approximately \$111 million, consisting of \$82 million for Personal Service expenditures and \$29 million for OTPS expenditures.

Audit Findings and Conclusions

The Department generally complied with applicable procurement procedures, including the PPB rules and Comptroller's directives. For our sampled payments: items purchased were necessary for the Department's office operations; vouchers and corresponding purchase documents were properly approved; amounts paid to vendors were accurately calculated; sales taxes were properly excluded; appropriate documentation to support payment was maintained in the Department files; and voucher packages were stamped "vouchered."

However, there were some weaknesses in the procurement process that should be addressed: the use of split purchases to circumvent procurement policies, starting contracts prior to their being registered by the Comptroller's Office, and the lack of in-house written procurement policies and procedures. In addition, the Department's inventory controls should be strengthened.

Audit Recommendations

Based on our findings, we make four recommendations listed below. The Department should:

- Ensure that all applicable PPB rules and Comptroller's Directive #24 are followed when procuring goods and services, especially with regard to negotiated acquisitions and the prohibition of split purchases.
- Ensure that all contracts are registered by the Comptroller's Office prior to the contract's effective start date.
- Develop a comprehensive policies and procedures manual that addresses all internal processes and functions regarding procurement and distribute the manual to appropriate Law Department employees.
- Ensure that complete and accurate inventory records are maintained.

Agency Response

In their response, Department officials generally agreed with the audit's findings and recommendations.

INTRODUCTION

Background

The New York City Law Department is the attorney for the City, City agencies, and certain non-City agencies and pension boards. The Department is in charge of litigation and other legal matters involving the City and its interests. The Department also litigates affirmative and defensive cases for the City; approves leases, contracts, and financial instruments for the sale of bonds and notes; serves as counsel on sales and leases of City-owned property; and provides legal counsel on pensions, the restructuring of City government, and on social policies. In addition, the Department seeks to recover costs for damages caused by the actions of individuals and corporations and defends the City against lawsuits.

During Fiscal Year 2005, the Department's budget was approximately \$111 million, consisting of \$82 million for Personal Services and \$29 million for OTPS expenditures. The OTPS expenditures include purchases of supplies, materials, and contractual and other services required to support the operation of the Department.

Objective

The objective of this audit was to determine whether the Department procures Other Than Personal Services in accordance with applicable procurement procedures, including the City's PPB rules, Comptroller's directives, and its own formal procedures.

Scope and Methodology

The scope period of this audit was Fiscal Year 2005. We reviewed the applicable PPB rules (including Chapters 2 and 3), Comptroller's Directive #1 "Agency Evaluation of Internal Control," and Directive #24, "Agency Purchasing Procedures and Controls," which were used as criteria. To gain an understanding of the Department's internal controls over its procurement procedures, the appropriate officials and administrative staff were interviewed, the Department's procurement documents were evaluated, and a walkthrough of the procurement process at the procurement and fiscal units was performed.

A prior audit performed by the Comptroller's Office, *Audit Report on the New York City Law Department Small Procurement and Vouchering Practices*, issued in June 30, 2000, was also reviewed to determine whether there were any recurring issues.

A review of the City Financial Management System (FMS) revealed that the Department issued a total of 7,454 payment vouchers with a value of \$28 million in Fiscal Year 2005, which included 4,727 general purchase payment vouchers (PVE), 2,475 miscellaneous payment vouchers (PVM), and 249 reimbursement vouchers (PVR). (There were 3 payment-voucher lapses that were eliminated from the population because they had no dollar value.)

To ensure that material vouchers were included in our tests: 1,246 PVEs that were for less than \$500 were excluded, and 515 PVMs that were for less than \$50 each were also excluded. As a result, the total population available for our tests was 5,690 vouchers with a value of \$27.7 million, which included 3,481 PVEs, 1,960 PVMs, and 249 PVRs. Our sample was randomly selected from those 5,690 vouchers and consisted of 90 payment vouchers (50 PVEs, 30 PVMs, and 10 PVRs) totaling \$251,015.

Each voucher package from the sample was examined to determine whether:

- approvals and authorizations were obtained;
- there was evidence that transactions were for proper business purposes;
- vouchers were supported by adequate documentation;
- vouchers were properly coded; and,
- sales taxes were properly excluded.

In addition, the 50 PVEs, totaling \$226,996, were tested to determine whether an authorized purchase document was on file, bids were obtained when required, and contracts were properly registered. The 30 PVMs, totaling \$18,908, were tested to determine whether the vouchers were issued for only allowable purposes. The 10 PVRs, totaling \$5,111, were tested to determine whether they were used to replenish the imprest fund.

To determine whether the correct purchase documents were used to procure goods or services from outside vendors, the total PVE population was sorted by vendor and purchase document type. There were 2,852 purchasing documents used to procure goods or services: 225 were for purchases using contract documents (CT); 441 used small purchase documents (PC); 2,007 used micro-purchase documents (PD); and 179 were used for special, non-procurement purposes (PO).

To test whether the Department split purchases by using multiple purchasing documents to circumvent thresholds for purchase amounts in PPB rules and Comptroller's Directive #24, the total population of payment vouchers was sorted by vendor. This sort showed a total of 729 vendors from whom the Department made purchases totaling \$26.3 million, using the various purchase documents based on the purchase dollar limits.

An analysis of the various purchase documents for each vendor was performed to determine whether multiple purchase documents were used to split the purchase. Vendors were identified that were paid using multiple purchase documents that appeared to have been prepared at the same time or soon after each other; that had an aggregate amount that would require the use of another purchase document; or that may have had the same regularly scheduled payment amounts. From this population, we judgmentally selected a sample of 23 vendors, and this list was sent to the Department with a request for the reasons multiple purchasing documents were used. In addition, a sample of these purchasing documents was judgmentally selected for review.

To assess the internal controls over the Department's inventory, the Department's 2005 response to the Comptroller's Directive #1 was reviewed, specifically the inventory section, Part F. In addition, from the 7,454 Fiscal Year 2005 payment vouchers, a list of items were selected that should be included on an inventory list, based on their object codes. The object codes identify a particular type of good or service that was purchased. From this list, 37 items were major equipment items that should be on the Department's inventory records. The Department's inventory records were reviewed to determine whether the 37 items were listed. Finally, a physical inventory of these 37 items was performed.

The results of the above tests, while not projected to their respective populations, provided a reasonable basis to assess the Department's procurement and internal controls over its Other Than Personal Services.

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. It was performed in accordance with the audit responsibilities of the City 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 Department officials during and at the conclusion of this audit. A preliminary draft report was sent to Department officials and discussed at an exit conference held on May 23, 2006. On May 26, 2006, we submitted a draft report to Department officials with a request for comments. We received a written response from Department officials on June 12, 2006. In their response, Department officials generally agreed with the audit's findings and recommendations.

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

FINDINGS AND RECOMMENDATIONS

The Department generally complied with applicable procurement procedures, including the PPB rules and Comptroller's directives. For our sampled payments:

- Items purchased were necessary for the Department's office operation;
- Vouchers and corresponding purchase documents were properly approved;
- Amounts paid to vendors were accurately calculated;
- Sales taxes were properly excluded;
- Appropriate documentation to support payment was maintained in the Department files; and
- Voucher packages were stamped vouchered.

However, there were some weaknesses in the procurement process that should be addressed: the use of split purchases to circumvent procurement policies, starting contracts prior to their being registered by the Comptroller's Office, and the lack of in-house written procurement policies and procedures. In addition, the Department's inventory controls should be strengthened. These findings are discussed in detail in the following sections of this report.

The Department Generally Complied with Applicable Procurement Procedures

According to Comptroller's Directive #24, a payment voucher is a document that authorizes payment to a vendor for goods or services that were purchased. The Department mainly uses three types of payment vouchers for payments to vendors. PVEs are used for general purchases from external vendors to make payment against purchase documents or contract documents. PVMs are also used for general purchases but are made without purchase documents or contract documents and may only be used when estimated liability is not determinable or a contract or a purchase document is not applicable. The directive also lists the appropriate uses and unallowable uses of PVMs. PVRs are used to replenish the Department's imprest fund account.

We found that approvals and authorizations were obtained for all 90 payment vouchers in our sample, totaling \$251,015. All items purchased were necessary for the Department's office operations; the amounts paid to the vendors were accurately calculated; and sales taxes were properly excluded. In addition, appropriate documentation to support these payments was maintained in the Department's files including invoices and receiving reports. Furthermore, all 30 PVMs, totaling \$18,908, from our sample of 90 payment vouchers, were for purchases that were allowable and appropriate under the requirements of the Comptroller's directive.

Purchase documents are used to record the accounting event associated with the purchase. Specifically, PDs are used for purchases of \$5,000 or less. PCs are used for purchases of \$10,000 or less. POs are for special, non-procurement expenditures for which a contract or purchase document is not required. CTs are required for purchases of \$10,000 or more.

Of our sample of 90 payment vouchers 50, totaling \$226,996, were PVEs. All 50 PVEs had an appropriate, authorized purchase document on file, and when bids were required, they were on file. Of the 50 PVEs, 20, totaling \$156,944, were payments against 19 contracts. Four of the 19 contracts were exempt from bidding (e.g., one contract was a lease agreement negotiated by the Department of Citywide Administrative Services); 4 contracts had the required bidding documents; and 11 contracts were procured through negotiated acquisitions and did not require bidding but had the required authorization.¹

Procurement Weaknesses

Split Purchases Used to Circumvent Procurement Requirements

Comptroller's Directive #24 states that City agencies may not artificially split purchases by the use of purchase documents (PC, PD) when a contract document (CT) is required. Additionally, section 3-08 of the PPB rules prohibits artificially dividing a procurement in order to circumvent the bidding requirement rules for purchases over \$5,000. A prior audit in 2000 by the Comptroller's Office, *Audit Report on the New York City Law Department Small Procurement and Vouchering Practices*, also found that the Department had inappropriately split small purchases.

We judgmentally selected 23 vendors whose purchases by the Department for various services and goods seemed to be split to circumvent purchasing requirements. The Department used 1,081 various purchasing documents to make these purchases that totaled \$2.5 million. Purchases included furniture, payments made for the services of expert witnesses, toner for computer printers, and car service. When we questioned the Department officials regarding this matter, they gave various reasons to justify the procurement methods and to show why they should not be considered split purchases. For three of the vendors, with 38 purchase documents totaling \$291,914, their statements were reasonable. For example, the contract between the management company of the building where the Department leases office space and the vendor that supplies the air conditioning for the building lapsed. In the interim, the Department needed air conditioning repairs on different occasions and used the services of the management company's vendor.

Further, the Department officials stated that 14 of the remaining 20 vendors provided services of experts for litigation (experts), and the services were purchased on a case-by-case basis. Since the Department officials do not know how often they will need to use the services

¹ The negotiated acquisition procurement method is used for specific circumstances when it is not practical and/or advantageous to the City to make the procurement through competitive sealed bidding or competitive sealed proposals. For example, a negotiated acquisition is used when there is a time sensitive situation where a vendor must be retained quickly or there is a need to procure legal services or consulting services in support of current or anticipated litigation, investigative, or confidential services.

of a particular expert, they purchase these services as needed, rather than by entering into a contract for each of these vendors. In addition, they explained that if they anticipate that the expert services for a particular case will exceed \$10,000, they will then use a CT.

Upon further review of the 97 judgmentally selected purchase documents for these 14 vendors, in 50 instances the purchases were related to a specific case. However, for the remaining 47 instances the purchases were not related to one specific case, rather they were for multiple cases. These 47 purchase documents were for services provided by 4 of the 14 vendors. For example, for one vendor, who provided “various medical specialties,” the Department generated 34 PCs, each one valued at \$9,900 (\$100 below the dollar minimum for creating a CT). The Department should have used a CT for the full value of the procurement. Instead, by creating numerous purchases just below the \$10,000 threshold, the Department split the purchases and circumvented Comptroller’s Directive #24.

For the remaining six vendors, we determined that 52 of the purchases made by the Department were also made through split purchases rather than follow the bidding requirements for purchases exceeding \$5,000 or creating a CT for purchases exceeding \$10,000. Table I shows the six vendors along with a summary of the purchases made:

Table I

Summary of Split Purchases

Vendor	Purchase Document Type Used*	Number of Purchases	Total Dollar Amount	Services / Items Purchased
Roselli Moving Corp	PD	3	\$12,099	Moving Services
Furnishing Solutions	PD	5	\$23,959	Furniture
P.M. Electrical Contracting	PD	16	\$30,125	Electrical Work
Metropolitan Office & Computer	PD	12	\$59,400	Toner HP 4100
Skyline Credit Ride Inc	PC	4	\$40,000	For Hire Vehicles
CourtAlert.Com, Inc.	PC	12	\$87,000	Court Monitoring Svc

* PD - Micro Purchase Document (purchases <=\$5,000)
 PC - Small Purchase Document (purchases <=\$10,000)

The purchase documents for each of the first four vendors in Table I above had a total value that exceeded \$5,000. Therefore, the Department should have followed the PPB rules and solicited bids from a minimum of five randomly selected vendors to ensure that the process was fair and that it paid a competitive price for the goods and services purchased.

For Roselli Moving Corp., the Department used its services on three consecutive days to move boxes of files from one location to another and used three PDs each valued at less than \$5,000. The Department should have reasonably anticipated that this work would take more than one day to complete and would cost more than \$5,000; it therefore should have solicited bids to ensure that it paid a competitive price.

For Furnishing Solutions, the Department purchased furniture for one particular project and used five PDs, each valued at less than \$5,000, even though at the beginning the Department knew the full cost for this project. The Department should have solicited bids for the entire purchase.

For P.M. Electrical Contracting, the Department used its services for various electrical work and used 16 PDs, each valued at less than \$5,000. By November 2004, the Department had reached over \$10,000 in expenditures for this vendor. The Department should have assessed its needs for electrical work and solicited bids to select a vendor.

For Metropolitan Office and Computer, the Department purchased toner and used 12 PDs, each for \$4,950 (\$50 below the dollar minimum for obtaining bids). At the beginning of the year, the Technical Support Supervisor estimated the total cost of toner needed by the Department for the year. Rather than soliciting bids to select the lowest priced and most responsible vendor, the Department split the purchases by ordering the same amount every month throughout the year.

For Skyline Credit Ride (Skyline), the Department purchased private car service and used four PCs, each for \$10,000. The Department has a contract with a different car service and told us that Skyline was the second lowest bidder and was being used as a back-up service. However, the Department should have created a contract with Skyline in addition to the other car service contract—the same way that the Department handled their court reporting services contract, in which one vendor was awarded the contract and five additional vendors were awarded contracts as backup to the main vendor.

Not only did the Department split these purchases but it improperly used the negotiated acquisition procurement method. During our review of the procurement file, we found that the documentation stated that a contract for car services could not be timely met through the competitive sealed bidding or competitive sealed proposal methods of procurement. However, in the instance of the first car service contract, the Department properly obtained the service through competitive bidding and awarding a contract to the winning vendor.

For CourtAlert.com Inc. (CourtAlert), the Department used its service to provide electronic monitoring of its court cases and used 12 PCs to make monthly payments (1 for \$10,000 and 11 for \$7,000 each). The Department should have issued an RFP or made the solicitation as a small purchase, since they knew before the fiscal year began that these services were needed and they would exceed the \$10,000 threshold.

Artificially splitting purchases by the use of multiple purchase documents may prevent the Department from selecting the most responsible vendor with the most reasonable prices. This also undermines the entire procurement process, which includes: competition, vendor background checks, and registration by the Comptroller's Office. The Department must comply with the PPB rules to ensure that its procurement process is conducted in a fair and competitive manner.

Recommendation

1. The Department should ensure that all applicable PPB rules and Comptroller's Directive #24 are followed when procuring goods and services, especially with regard to negotiated acquisitions and the prohibition of split purchases.

Department Response: The Department agreed stating, "We will continue to make efforts to anticipate future needs based on past experience and will, where possible, enter into contracts rather than purchase orders for supplies and services."

Contracts Registered After Start Date

The New York City Charter §328 (a) provides that no contract or agreement executed under the Charter or other law is to be implemented until the contract or agreement is registered with the Comptroller's Office. Our review of the 14 contracts in our sample that required registration found that the Department submitted 13 contracts to the Comptroller for registration *after* each respective start date, which is in violation of the City Charter. The contract start dates ranged from 17 to 525 business days before they were registered. A prior audit in 2000 by the Comptroller's Office, *Audit Report on the New York City Law Department Small Procurement and Vouchering Practices* also reported a finding that the Department registered contracts after their effective start dates. Table II below shows the 13 contracts from our sample that started before the Comptroller's registration date.

Table II

Contracts Registered After Their Start Date

Vendor Name	Contract Number	Start Date of Contract	Date Registered
Michael J Agli	20030004493	04/15/2002	08/22/2002
Litigation Resources of America	20050028250	07/01/2004	03/08/2005
Medical Copy Services Inc	20040006248	05/30/2003	10/27/2003
Fieldstone Advisors, LLC	20050030430	01/27/2004	03/10/2005
Tri Star Reporting Inc	20040011053	10/15/2003	11/06/2003
Imedview, Inc.	20050012259	08/01/2004	09/20/2004
Xerox Corporation	20050019398	07/01/2004	12/07/2004
Accurate Private	20030004492	04/15/2002	08/22/2002
100 Church LLC	20030018088	08/01/2002	04/21/2003
Forest Edwards Group LTD	20040028583	11/01/2003	06/30/2004
Daniel J. Hannon & Associates	20030004486	04/15/2002	08/20/2002
Baker Robbins & Company	20040009365	09/01/2003	10/15/2003
NY Law Publishing Company	20040013172	11/28/2001	12/15/2003

Registration is an important oversight function ensuring an independent review of the process through which the contractor was chosen, a review of contractor integrity and citywide registry information. The Department should review its internal controls to ensure compliance with the registration requirements of the City Charter.

Recommendation

2. The Department should ensure that all contracts are registered by the Comptroller's Office prior to the contract's effective start date.

Department Response: The Department generally agreed stating, "The Law Department makes every effort to register contracts with the Comptroller's Office prior to the effective start date of the contract. However, it should be noted that the vast majority of contracts where work commenced prior to registration are for litigation-related services. Most often, these are contracts that the Department has had no opportunity to anticipate, and because of the time it takes to complete a procurement and register a contract it is not in the City's best interest to delay the commencement of services until those processes are completed. The reason why it is not in the City's best interest to delay the commencement of these services is that such delay would probably disadvantage the City in the litigation and could even lead to the City losing the case. Please note that the Department does not make payments to contractors until the underlining contracts are registered."

Lack of Written Policies and Procedures

At the beginning of the audit we requested copies of the Department's procurement policies and procedures. We were informed that there were no written policies but that the Department followed the PPB rules in regards to procurement. Therefore, we had to ascertain the procedures for the related purchasing and vouchering functions through numerous interviews with the staff who handle these functions.

Comptroller's Directive #1 states, "Internal controls should be documented in management administrative policies or operating manuals." Written procedures provide an organization added assurance that every employee involved in a process within the organization understands the tasks that are to be accomplished and the acceptable methods to be used when performing these tasks. They also provide an effective mechanism for training and in evaluating the performance of staff. By failing to maintain written policies and procedures for the procurement process, the management of the Department is hindered in its efforts to ensure that policies and procedures are properly communicated.

Recommendation

3. The Department should develop a comprehensive policies and procedures manual that addresses all internal processes and functions regarding procurement and distribute the manual to appropriate Department employees.

Department Response: The Department generally agreed stating, “The Law Department relies on the PPB rules, our office manual, an automated forms approval system and the expertise of our ACCO and other staff. We will look into whether additional procedures will be of benefit.”

Inventory Controls Should Be Improved

Comptroller’s Directive #1 states that some non-capital assets are particularly susceptible to theft and misuse and as such, all these inventory items require strong controls to ensure accurate recordkeeping and good security. The Directive #1, “Internal Control Checklist,” requires that detailed records be maintained for non-capital assets. The Department indicated in their 2005 response to Comptroller’s Directive #1 that these records are maintained.

However, we determined that the inventory records maintained by the Department are not complete or accurate. In addition, the Department does not tag all items when they are received. According to Department officials, the serial number on each item is used to identify the item.

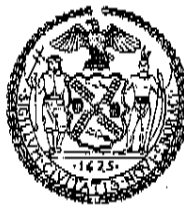
Over a six-month period, we obtained 20 different inventory lists of items purchased by the Department. These lists were not organized in a systematic way. Some of the lists had tag numbers or serial numbers next to the item purchased, while others lacked this information. Some of the lists had the location of the items, while others did not. Some locations on the list were incorrect.

We determined that the 37 major equipment items valued at \$48,113 purchased in Fiscal Year 2005 should be listed on the Department’s inventory records. These items included paper shredders, color printers, televisions, digital cameras, etc. After reviewing the various inventory lists received from the Department, we identified 23 (62%) items on the lists. The remaining 14 (38 %) items were not on any of the lists, and we obtained their location only by speaking with Department officials. Eventually we found all 37 items at the various divisions of the Department; however, it took a long time since not all items were at the locations on the inventory list or at the locations originally given to us by Department officials. In the absence of adequate inventory controls, the risk that thefts of items may occur and go undetected and equipment may be disposed of improperly is increased.

Recommendation

4. The Department should ensure that complete and accurate inventory records are maintained.

Department Response: The Department agreed stating, “The Law Department is in the process of completing a more comprehensive inventory control system for the items noted in the Comptroller’s Report. This inventory will be used to perform the manual inventory count at the end of this fiscal year.”



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June 12, 2006

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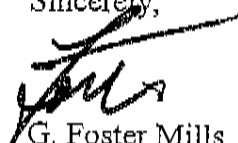
Re: Draft Report
Audit Report on the Procurement Practices of the
New York City Law Department
MH06-086A


Dear Mr. Graham:

Thank you for giving us the opportunity to respond to the above-mentioned draft report. Attached please find our response to your specific audit findings and recommendations. If you have any questions please contact Paul Inselmann, Director of Audit at (212) 341-3980

Thank you.

Sincerely,


G. Foster Mills

cc: Michael A. Cardozo
Malachy Higgins
Anthony Johnson
Sam Moriber
Paul Inselmann

Split Purchases Used to Circumvent Procurement Requirements

Recommendation

1. The Department should ensure that all applicable PPB rules and Comptroller's Directive 24 are followed when procuring goods and services, especially with regard to negotiated acquisitions and the prohibition of split purchases.

We will continue to make efforts to anticipate future needs based on past experience and will, where possible, enter into contracts rather than purchase orders for supplies and services.

Contracts Registered After Start Date

Recommendation

2. The Department should ensure that all contracts are registered by the Comptroller's Office prior to the contract's effective start date.

The Law Department makes every effort to register contracts with the Comptroller's Office prior to the effective start date of the contract. However, it should be noted that the vast majority of contracts where work commenced prior to registration are for litigation-related services. Most often, these are contracts that the Department has had no opportunity to anticipate, and because of the time it takes to complete a procurement and register a contract it is not in the City's best interest to delay the commencement of services until those processes are completed. The reason why it is not in the City's best interest to delay the commencement of these services is that such delay would probably disadvantage the City in the litigation and could even lead to the City losing the case. Please note that the Department does not make payments to contractors until the underlining contracts are registered.

Lack of Written Policies and Procedures

Recommendation

3. The Department should develop a comprehensive policies and procedures manual that addresses all internal processes and functions regarding procurement and distribute the manual to appropriate Department employees.

The Law Department relies on the PPB rules, our office manual, an automated forms approval system and the expertise of our ACCO and other staff. We will look into whether additional procedures will be of benefit.

Inventory Controls Should Be Improved

Recommendation

4. The Department should ensure that complete and accurate inventory records are maintained.

The Law Department is in the process of completing a more comprehensive inventory control system for the items noted in the Comptroller's Report. This inventory will be used to perform the manual inventory count at the end of this fiscal year.