

AUDIT REPORT

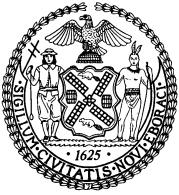


CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF FINANCIAL AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Follow-Up Audit Report on the Use of Procurement Cards by the Department of Parks and Recreation

FS09-107F

May 29, 2009



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 performed a follow-up audit to determine whether the Department of Parks and Recreation implemented recommendations made in a previous audit of the use of procurement cards (p-cards).

Procurement cards are credit cards used by City personnel for purchasing goods and services. The primary benefits of p-cards are user convenience, the elimination of steps required by the City's traditional procurement processes, and a reduction in documentation to support a purchase and its payment. We audit City agencies such as this to ensure that their policies and procedures are efficient and properly safeguard public resources for which they are responsible.

The results of our audit, which are presented in this report, have been discussed with Department of Parks and Recreation 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/fh

Report: FS09-107F
Filed: May 29, 2009

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

**Follow-up Audit Report on the
Use of Procurement Cards by the
Department of Parks and Recreation**

FS09-107F

AUDIT REPORT IN BRIEF

This follow-up audit determined whether the Department of Parks and Recreation (Parks) has implemented the 13 recommendations made in a previous audit entitled *Audit Report on the Use of Procurement Cards by the Department of Parks and Recreation* (Audit No. MH05-126A, issued February 8, 2006).

The previous audit evaluated whether the Parks has adequate internal controls over the use of procurement cards (p-cards) and follows the guidelines set forth in Comptroller's Memorandum #01-1. The audit found that the Parks had inadequate internal controls over its use of p-cards. These weaknesses can allow for the inappropriate use of p-cards and duplicate payments. Also, the audit found that Parks lacked adequate internal written procedures for the correct use of p-cards and did not sufficiently train new cardholders in their use. Further, Parks allowed individuals other than the cardholders to use the cards. The Accounts Payable Unit could not adequately review p-card purchases because of incomplete documentation (especially the lack of receipts and receiving reports). Also, there were problems with approvals and an absence of a log of purchases.

These internal control weaknesses resulted in split purchases, thereby allowing transaction limits to be exceeded, sales taxes from being incorrectly paid, and purchases being made without checking requirement contracts. In addition, the agency failed to inventory items purchased with p-cards. Finally, the lack of integration between the p-card program and City's Financial Management System allowed an invoice to be paid twice.

Audit Findings and Conclusions

The current follow-up audit disclosed that of the 13 recommendations made in the previous audit, Parks implemented seven recommendations, partially implemented four, and did not implement two. Parks provided written procedures that specified the guidelines for the use of p-cards and provided training to the cardholders. Our review of a sample of 251 p-card

transactions found that the cardholders stayed within their transaction limits and that there were no evidence of splitting purchases in order to circumvent the transaction limits for both the individual purchase and the monthly limit. In addition, each cardholder maintained a monthly purchase log and a file with monthly receipts and receiving reports. Both the log and the file are submitted to the Account Payables unit for review.

Parks partially addressed the issue of missing receiving reports, credit card purchases being signed by a person other than the cardholder, two instances of p-card purchase approval forms submitted beyond the designated date, and six instances of sales taxes inappropriately being paid. In addition, Parks did not implement the recommendation to maintain an inventory record for equipment purchased through p-cards and to ensure that cardholders document that DCAS Requirements Contracts are checked prior to making purchases.

Audit Recommendations

To address the outstanding issues from the previous audit that still exist, we recommend that Parks officials should:

1. Ensure that only cardholders use the p-cards.
2. Ensure that cardholders submit receipts, receiving reports, and approval forms for all purchases. If a receipt or receiving report is not available, a note indicating the reason should be attached to the approval form.
3. Ensure that cardholders submit signed and dated p-card approval forms within one week of receiving the monthly MasterCard statement.
4. Remind cardholders of their responsibility to avoid making sales tax payments.
5. Ensure that cardholders document that DCAS Requirements Contracts are checked before purchases are made with p-cards.
6. Maintain inventory records of equipment purchased with p-cards.

INTRODUCTION

Background

The Department of Parks and Recreation is the City agency that is responsible for assuring that the 28,722 acres of City parkland and the public beaches, playgrounds, stadia, marinas, recreation facilities, gardens, and malls are clean, safe, and attractive for people to use. Parks is also responsible for street trees, historic houses, monuments, and conservation. Parks conducts activities, including athletics, physical fitness, and environmental education, and provides special programs for senior citizens, young people, the disabled, and the homeless.

Procurement cards (p-cards) are credit cards used by City personnel for purchasing goods and services. These cards can be used by office purchasing personnel at a central location or by employees on field or road assignments. The primary benefits of p-cards are user convenience, the elimination of intermediate steps required by the City's traditional procurement processes, and a reduction in internal documentation needed to support a purchase and its payment.

Parks has used p-cards issued by Bank of America MasterCard since July 2007¹. Purchases on each p-card are limited to \$250–\$5,000 per transaction and \$500–\$25,000 per month, depending upon the cardholder's purchasing needs and the size of the cardholder's budget.

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. Parks also has its own written *Procurement Card Guidelines*.

According to the Parks Agency Chief Contracting Officer (ACCO), cardholders are allowed to make purchases with the p-card without prior approval whatever goods and services are needed by Parks. Each month, Parks requires that all p-card purchases be reviewed not only by the cardholder, but also the cardholder's supervisor and the p-card program coordinator (the Parks Director of Purchasing and Accounting) using a "Procurement Card Purchase Approval Form" (approval form), which should be submitted, along with receipts and receiving reports, to the Accounts Payable Unit of Purchasing and Accounting.

Objective

This follow-up audit determined whether Parks implemented 13 recommendations contained in a previous audit, *Audit Report on the Use of Procurement Cards by the Department of Parks and Recreation* (Audit No. MH05-126A, issued February 8, 2006).

¹ During the scope period of the previous audit, Parks used p-cards issued by AMEX. In its response to that audit, Parks indicated that it switched to Citibank-VISA for issuance of its p-cards. Currently, Parks is using p-cards issued by Bank of America-MasterCard.

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. 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 period of this follow-up audit was Fiscal Year 2008. To obtain an understanding of Parks policies and procedures governing the p-card purchases, we reviewed:

- the prior audit report issued by the Comptroller's Office (*Audit Report on the Use of Procurement Cards by the Department of Parks and Recreation* (Audit No. MH05-126A, issued February 8, 2006),
- Comptroller's Memorandum #01-1, Comptroller's Directive #1, "Principles of Internal Control" and *Parks Guidelines for Use of Procurement/Purchasing Card* to gain an overall understanding of the Parks p-card program, and
- Reviewed Parks files to determine whether all cardholders had completed and signed a Cardholder's User Agreement,

To meet our objectives, we obtained a list of authorized cardholders and compared the names on the list with the names of users on each of the billing statements. In addition, we reviewed all 251 p-card transactions made in the randomly selected month of February 2008. We

- Reviewed the 251 purchase files to determine whether they contained invoices or charge receipts and receiving reports, and whether there was any evidence that DCAS Requirement Contracts were checked prior to making the purchase,
- Examined the 251 transactions to determine whether the charges matched the credit card billing statement, and whether the purchases exceeded the individual or monthly purchase thresholds, and
- Reviewed the 251 transactions to determine whether any purchases appear to be split in order to circumvent the purchasing thresholds,

Discussion of Audit Results

The matters covered in this report were discussed with Parks officials during and at the conclusion of this audit. A preliminary draft report was sent to Parks officials and discussed at an exit conference held on April 7, 2009. On April 22, 2009, we submitted a draft report to the Parks officials with a request for comments. We received a written response from Parks officials on May 6, 2009. Parks generally agreed with the findings and recommendations of this audit. The full text of the Parks response is included as an addendum to this report.

RESULTS OF FOLLOW-UP AUDIT

The current follow-up audit disclosed that of the 13 recommendations made in the previous audit, Parks implemented seven recommendations, partially implemented four, and did not implement two. Parks provided written procedures that specified the guidelines for the use of p-cards and provided training to the cardholders. Our review of a sample of 251 p-card transactions found that the cardholders stayed within their transaction limits and that there were no evidence of splitting purchases in order to circumvent the transaction limits for both the individual purchase and the monthly limit. In addition, each cardholder maintained a monthly purchase log and a file with monthly receipts and receiving reports. Both the log and the file are submitted to the Account Payables unit for review.

Parks partially addressed the issue of missing receiving reports, credit card purchases being signed by a person other than the cardholder, two instances of p-card purchase approval forms submitted beyond the designated date, and six instances of sales taxes inappropriately being paid. In addition, Parks did not implement the recommendation to maintain an inventory record for equipment purchased through p-cards and to ensure that cardholders document that DCAS Requirements Contracts are checked prior to making purchases.

Previous Finding: “Inadequate Written Procedures and New Cardholder Training”

The previous audit found that Parks has inadequate written policies and procedures for the p-card program and as a result, cardholders may have been using the p-card incorrectly. In addition, new p-card users received only verbal, ad hoc training when they received their cards.

Previous Recommendation #1: “Expand and formalize its written guidelines for p-cards. At a minimum, the guidelines should specify: who is allowed to use the p-cards, rules on appropriate purchases, and disciplinary procedures for inappropriate p-card use.”

Previous Response: “Although cardholders were given the current guidelines and told of the rules of usage, in an effort to avoid miscommunications, Parks will update the written rules.”

Current Status: IMPLEMENTED

A Parks official provided a copy of its p-card guidelines, *Procurement Credit Card Guidelines*. The guidelines specified the rules that the cardholders need to follow, which include paying no sales tax, making only purchases that do not exceed the cardholder’s limit, not splitting purchases, check with Requirements Contracts, and maintaining a purchase log and receiving report. The guideline also stated possible disciplinary actions for the misuse of the card and specified restricted items that cardholders should not purchase without prior approval. Therefore, we consider this recommendation to be implemented.

Previous Recommendation #2: “Provide new cardholders with formal training in the use of p-cards prior to receipt of the card.”

Previous Response: “Parks did formally train the original 12 cardholders at the inception of the program. Subsequent cardholders were given ad-hoc individual training as a means of saving time. However, formal training will occur in the future in accordance with Comptroller’s Memorandum #01-1.”

Current Status: IMPLEMENTED

Parks officials provided documentation for informal ad hoc individual training based on the “Procurement/Purchasing Card User Agreement.” At the exit conference, Parks officials presented documentation showing that it provided training on the use of p-cards to all the cardholders. Therefore, we consider this recommendation to be implemented.

Previous Finding: “Purchases Made by Persons Other Than Cardholders”

The previous audit identified 32 transactions (6%) of the 506 transactions in the sample, totaling \$12,312.46, in which charges were made by someone other than the cardholder.

Previous Recommendation #3: “Parks should ensure that only cardholders use the p-cards.”

Previous Response: “Parks was aware that in certain emergency situations that non-cardholders were authorized to make purchases. There was no intent to bypass the Comptroller’s procedures. However, Parks will ensure that only cardholders use the p-cards and this policy has been incorporated in our new written guidelines.”

Current Status: PARTIALLY IMPLEMENTED

Based on our sample of all transactions during February 2008, we found two instances out of 251 of credit card purchases (\$385.00 and \$625.80) that were signed by other than the cardholder. This suggested that the problem of purchases made by persons other than the cardholders still existed. Therefore, we consider this recommendation to be partially implemented.

Previous Finding: “Inadequate Independent Review of Purchases”

The previous audit found that Parks was not performing an adequate independent review of purchases. Receipts (i.e., invoices or charge receipts) and receiving reports were not present to support all purchases made. Of the 506 transactions reviewed in the previous audit, 287 (57%) did not have purchasing and/or receiving documents. Parks p-card guidelines require that all purchases must be approved within one week of the statement date. However, the audit found

these guidelines were not followed. In addition, Parks did not require cardholders to keep a purchase log, nor did the agency keep a purchase log.

Previous Recommendation #4: “Ensure that the Accounts Payable Unit conducts an adequate independent review of p-card purchases.”

Previous Response: “An Accounts Payable staff will be assigned to review and monitor all p-card purchases. Additionally, the Supervisor of AP and the Director of P& A will spot check compliance.”

Current Status: IMPLEMENTED

Based on the sample of 251 items reviewed, we found that Parks has its Account Payable staff review a file of monthly transactions that includes “Procurement Card Purchase Approval Forms” (purchase log), invoices and receipts, and receiving reports. The Account Payable unit uses a Procurement Card Monthly Payment Checklist to review and determine whether all the required documentation has been accounted for. Payable staff reviews p-card purchases and the documentation submitted by the cardholders. Therefore, we consider this recommendation to be implemented.

Previous Recommendation #5: “Ensure that cardholders submit receipts, receiving reports, and approval forms for all purchases. If a receipt or receiving report is not available, a note indicating the reason should be attached to the approval form.”

Previous Response: “Parks will ensure that cardholders submit receipts, reports and approval forms for all purchases, and if not available a note indicating the reason will be attached to the approval form.”

Current Status: PARTIALLY IMPLEMENTED

Based on the 251 items reviewed, we identified seven instances of missing receipts or invoices and receiving reports. Therefore, we consider this recommendation to be partially implemented.

Previous Recommendation #6: “Ensure that cardholders submit signed and dated p-card approval forms within one week of receiving the monthly AMEX statement.”

Previous Response: “Parks has notified cardholders that signed and dated p-card approval forms must be submitted within one week of receiving the monthly VISA statements. The Accounts Payable Unit will ensure compliance.”

Current Status: PARTIALLY IMPLEMENTED

Each cardholder submitted the “Procurement Card Purchase Approval Form.” However, in our sample of February transactions, we found two cardholders who submitted their approval form on March 21 and 26, 2008. The dates were relatively late compared to those the other

cardholders submitted their approval forms during early- to mid-month. Therefore, we consider this recommendation to be partially implemented.

Previous Recommendation #7: “Maintain a log of p-card purchases to reconcile with the monthly statements.”

Previous Response: “All cardholders will be notified that a log of p-card purchases must be maintained and reconciled with monthly statements.”

Current Status: IMPLEMENTED

Parks official provided a consolidated Fiscal Year 2008 p-card purchase log and cardholders’ purchase log. Both logs listed information, such as the transaction date, vendor, description of the transaction, and the amount. We compared the logs with the billing statements and found the log to be consistent with the billing statements. Therefore, we consider this recommendation to be implemented.

Previous Finding: “Purchases Split to Avoid Exceeding Transaction Limit”

The previous audit identified 13 split purchases, valued at \$24,312.50, in which the cardholder exceeded the card’s transaction limit set by Parks by splitting the charge for an order of goods or services from a vendor into more than one transaction across one or more days.

Previous Recommendation #8: “Inform cardholders that split purchases to exceed the transaction limit set by Parks are prohibited.”

Previous Response: “Parks has reminded cardholders that split purchases, in accordance with Comptroller’s Memorandum #01-1, are prohibited.”

Current Status: IMPLEMENTED

Parks assigned transaction limits both for individual purchases limit and the monthly limit. Not all cardholders have the same limits. Each cardholder has an assigned purchase limitation. Both Parks p-card guidelines and the cardholder’s agreement specify that the purchases cannot exceed the individual transaction limit and that the cardholder cannot split the purchase in order to circumvent the limit. Therefore we consider this recommendation to be implemented.

Previous Recommendation #9: “Carefully review purchases to identify split purchases, inform cardholders of the consequences of continuing this practice, and if the practice is continued, cancel the cards.”

Previous Response: “The Accounts Payable Unit has begun to carefully review documents to identify split purchases, inform cardholders of the ramifications of continued transgressions, and if continued cancel the card of the offender.”

Current Status: IMPLEMENTED

We did not find evidence of cardholders splitting purchases in order to circumvent their transaction limits set by Parks officials. Therefore, we consider this recommendation to be implemented.

Previous Finding: “Sales Taxes Incorrectly Paid”

The previous audit found 12 cardholders who paid sales tax totaling \$720.23, ranging from \$0.24 to \$159.88, on at least 50 transactions listed on the July–September 2004 AMEX statements, even though City agency purchases are exempt from sales taxes.

Previous Recommendation #10: “Parks should remind cardholders of their responsibility to avoid sales tax payments.”

Previous Response: “Parks has notified cardholders that sales tax should be avoided and to carry the exempt certificate with them.”

Current Status: PARTIALLY IMPLEMENTED

Parks p-card guidelines stated, “Sales tax must not be paid. The cardholder should carry the Tax Exempt Certification and ensure the vendor does not charge sales tax.” Of the 251 transactions that we reviewed, there were six instances of sales tax payments. The amount ranges from \$4.16 to \$93.83, totaling \$259.70. However, in one of the six instances, the sales tax (\$64.12) was later credited to Parks. At the exit conference, Parks officials provided documentation showing that it maintains a log of taxes paid. Parks officials should still remind the cardholders of the tax exemption rules. Therefore, we consider this recommendation to be partially implemented.

Previous Finding: “Cardholders May Have Improperly Bypassed DCAS Requirement Contracts”

The previous audit found 38 (19%) of the 202 purchases of \$200 or more made between June and September 2004 that may have been available on DCAS Requirements Contracts, but that were nonetheless purchased from non-contracted vendors. These purchases totaled \$22,871 and represented 16 percent of the total dollar value of purchases made during the period.

Previous Recommendation #11: “Parks should ensure that cardholders document that DCAS Requirements Contracts are checked before purchases are made with p-cards.”

Previous Response: “Parks has notified all cardholders that they must first check to see if the product/item is available at the DCAS Central Storehouse or DCAS Requirement Contract. If it is, the product/item cannot be purchased via p-card, unless it is an emergency and must be documented.”

Current Status: NOT IMPLEMENTED

In our sample of 251 transactions, we did not find any documentation to show that the cardholders checked with DCAS Requirement Contracts prior to purchases. Therefore, we consider this recommendation not implemented.

Previous Finding: “Lack of Inventory Records for Purchases of Equipment”

The previous audit found Parks did not maintain inventory records for equipment purchased with the p-card.

Previous Recommendation #12: “Parks should maintain inventory records of equipment purchased with p-cards.”

Previous Response: “Parks has now restricted purchases of equipment (electronic, furniture, etc.). These purchases are to be directed through the appropriate division via the Purchase Order System (POS). In the event that the ACCO approves such purchases via the p-card, they will be delivered to the storehouses where they will be entered into inventory.”

Current Status: NOT IMPLEMENTED

We requested an inventory list from Parks officials to determine whether the equipment purchased was listed in the inventory record. According to the Parks official, the agency does not maintain a centralized inventory record of credit card purchases since it normally does not use p-cards to purchase equipment. However, according to the Park official, if equipment were purchased, it would be kept on a borough-level inventory record. We requested a comprehensive list of borough-level inventory records, but have not received it. Therefore, we consider this recommendation not implemented.

Previous Finding: “Invoices Are Being Paid Twice”

Previous Recommendation #13: “Parks should establish controls to prevent duplicate payments.”

Previous Response: “The Accounts Payable Unit will ensure that items paid via p-card do not get paid again through the Purchase Order.”

Current Status: IMPLEMENTED

In our sample of 251 p-card transactions, we found one instance of possible duplicate billings (\$195.00). Parks stated that the billing was for the two stainless steel benches with different inscriptions: one bench was ordered in December 2007, and the other in January 2008. Both of the purchases showed up on the February 2008 billing statement. A Parks official submitted the invoices for both purchases for our review, and we confirmed the accuracy of the explanation. Therefore, we consider this recommendation to be implemented.

RECOMMENDATIONS

To address the outstanding issues from the previous audit that still exist, we recommend that Parks officials should:

1. Ensure that only cardholders use the p-cards.

Parks Response: “Parks agrees with this recommendation and has taken additional measures to help ensure compliance with the established cardholder usage policy.”

2. Ensure that cardholders submit receipts, receiving reports, and approval forms for all purchases. If a receipt or receiving report is not available, a note indicating the reason should be attached to the approval form.

Parks Response: “Parks agrees with this recommendation and at a mandatory p-card training, cardholders are made aware of the policy. P-cardholders are required to submit all receipts, receiving reports and monthly approval forms for all p-cards transactions on a monthly basis to the Purchasing and Accounting Division (P&A).”

3. Ensure that cardholders submit signed and dated p-card approval forms within one week of receiving the monthly MasterCard statement.

Parks Response: “Parks agrees with this recommendation and is near compliance with the policy. Cardholders are required to submit the monthly approval form within one week of receiving the bank statement. At the mandatory p-card training, cardholders are made aware that they must submit their monthly approval forms on time.”

4. Remind cardholders of their responsibility to avoid making sales tax payments.

Parks Response: “Parks agrees with this recommendation; cardholders will be reminded of their responsibilities to avoid making sales tax payments. At the mandatory p-card training, cardholders are made aware that they must not pay sales tax for purchases. They are required to provide the tax exempt certification to vendors.”

5. Ensure that cardholders document that DCAS Requirements Contracts are checked before purchases are made with p-cards.

Parks Response: “Parks partially agrees with this recommendation. Cardholders are aware that they should not purchase items available on DCAS requirement contracts and from the DCAS Storehouse with the credit card. In an emergency case, however, P-cardholders may be forced to bypass the DCAS requirement contracts. In these cases, documentation explaining the nature of the emergency must be attached. Additionally, a

“check-off” column will be included on the monthly approval form for cardholders to identify that they have checked the DCAS list.”

6. Maintain inventory records of equipment purchased with p-cards.

Parks Response: “Parks agrees with this recommendation. Parks policy restricts the purchases of items that require inventory numbers such as furniture, air-conditioners, computers, and lawn mowers. Cardholders are informed that these items should be purchased via the Purchase Order process and that they are recorded into inventory by the Borough/Bureau Storehouses. However, in extenuating circumstances when a cardholder is required to purchase equipment with a p-card, an inventory record will be maintained. The p-card training manual will be updated to include this process.”



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May 5, 2009

Mr. John Graham
Deputy Comptroller
The City of New York Office of the Comptroller
Executive Offices
1 Centre Street
New York, NY 10007

Re: Draft Follow-up Audit Report on the Use of Procurement Cards by the Department of Parks & Recreation, July 1, 2007 to June 30, 2008, FS09-107F, Dated April 22, 2009

Dear Mr. Graham:

This letter represents the Parks Department's ("Parks") response to the recommendations contained in the draft follow-up audit report ("the report") on the use of procurement cards (p-cards) by Parks' employees.

Parks is pleased that the overall report recognized the additional controls Parks has put into place, and we will work quickly to resolve the few weaknesses that were identified. Following is Park's response to the six recommendations contained in the report:

Recommendation 1: Ensure that only cardholders use the P-card (*Partial compliance*)

The report found two instances out of 251 during February 2008 (the auditors' sample month) where p-card purchase receipts were signed by someone other than the card holder.

Parks response: Parks agrees with this recommendation and has taken additional measures to help ensure compliance with the established cardholder usage policy. Specifically, every cardholder is required to complete p-card training advising them of the Department's policy that *only they* are authorized to make purchases with the card. The report found that less than 1% of cardholders failed to adhere to this policy. These cardholders made purchases via phone and asked colleagues to retrieve the properly authorized items in their place. When retrieving the items, the colleagues mistakenly signed the credit card slip that was processed via the phone. In the p-card training, Parks will emphasize that should a p-cardholder be unable to retrieve a



purchase, the person picking up the order must not sign the credit card slip. The credit card slip should be initialed by the card holder upon delivery of item. Non-compliance may result in sanctions and possible removal of p-card privileges.

Recommendation 2: Ensure that cardholders submit receipts, receiving reports and approval forms for all purchases. If a receipt or a receiving report is not available, a note indicating the reason should be attached to the approval form. (Partial compliance)

The report found seven instances of missing receipts or invoices and receiving reports out of 251 items reviewed in February 2008.

Parks response: Parks agrees with this recommendation and at a mandatory p-card training, cardholders are made aware of the policy. P-cardholders are required to submit all receipts, receiving reports and monthly approval forms for all p-card transactions on a monthly basis to the Purchasing and Accounting Division (P&A). Additionally, it has always been Parks' firm policy to require cardholders to submit signed memos explaining the absence of any of the required documentation. The report found that 2.8% of the items reviewed failed to adhere to this policy. Cardholders will be retrained to ensure they submit all required documentation for purchases. Failure to follow this policy may result in sanctions and possible removal of p-card privileges.

Recommendation 3: Ensure that cardholders submit signed and dated P-card approval forms within one week of receiving the monthly MasterCard statement. (Partial compliance)

The report found two cardholders who submitted their "Procurement Card Purchase Approval Forms" late.

Parks response: Parks agrees with this recommendation and is in near compliance with the policy. Cardholders are required to submit the monthly approval form within one week of receiving the bank statement. At the mandatory p-card training, cardholders are made aware that they must submit their monthly approval forms on time. Going forward, P&A will ensure that all monthly approval forms have been received before credit card bank invoices are paid. The report found that less than 1% of cardholders failed to comply. These cardholders will be retrained to ensure compliance. Non-compliance may result in sanctions and possible removal of p-card privileges.

Recommendation 4: Remind cardholders of their responsibilities to avoid making sales tax payments. (Partial compliance)

The report found six instances, out of 251, where sales tax had been paid.

Parks response: Parks agrees with this recommendation; cardholders will be reminded of their responsibilities to avoid making sales tax payments. At the mandatory p-card training, cardholders are made aware that they must not pay sales tax for purchases. They are required to provide the tax exempt certification to vendors.

In a case where sales tax is charged erroneously, the cardholder is required to contact the vendor and have them credit the tax.

P&A tracks all instances of sales tax paid and follows up with the cardholder to make sure the sales tax charges are credited. It should be noted that the refund can take a few billing cycles to show up on the statements. The draft report found limited instances of sales tax payments affecting 2.4% of total transactions in the sample month of February 2008.

Recommendation 5: Ensure that cardholders document that DCAS requirements contracts are checked before purchases are made with P-cards. (Non-compliance)

Parks response: Parks partially agrees with this recommendation. Cardholders are aware that they should not purchase items available on DCAS requirement contracts and from the DCAS Storehouse with the credit card. In an emergency case, however, P-cardholders may be forced to bypass the DCAS requirement contracts. In these cases, documentation explaining the nature of the emergency must be attached. Additionally, a "check-off" column will be included on the monthly approval form for cardholders to identify that they have checked the DCAS list.

Recommendation 6: Maintain inventory records of equipment purchased with P-card. (Non-compliance)

Parks response: Parks agrees with this recommendation. Parks policy restricts the purchase of items that require inventory numbers such as furniture, air-conditioners, computers, and lawn mowers. Cardholders are informed that these items should be purchased via the Purchase Order process and that they are recorded into inventory by the Borough/Bureau Storehouses. However, in extenuating circumstances when a cardholder is required to purchase equipment with a p-card, an inventory record will be maintained. The p-card training manual will be updated to include this process.

Finally, we wish to thank the Comptroller's audit staff for their efforts in performing this review.

Sincerely,



Frank D'Ercola

cc: Comm. Adrian Benepe
Robert Garafola
David Stark