

AUDIT REPORT



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

Audit Report on the Small Procurement Practices of the Board of Elections

MD03-066A

June 12, 2003



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 Comptroller's responsibilities contained in Chapter 5, § 93, of the New York City Charter, my office has examined the operating practices of the Board of Elections (Board).

The results of our audit, which are presented in this report, have been discussed with Board and OMB officials, and their comments have been considered in the preparation of this report.

Audits such as this provide a means of ensuring that the Board demonstrates effective internal controls over its small procurement practices.

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,

William C. Thompson, Jr.

William C. Thompson, Jr.

Report: MD03-066A
Filed: June 12, 2003

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

**Audit Report on the Small Procurement
Practices of the Board of Elections**

MD03-066A

AUDIT REPORT IN BRIEF

This audit determined whether the Board of Elections (Board) complied with applicable purchasing procedures regarding its small procurements, including PPB Rules, Comptroller's Directives #1, #6, #24, and #25, and its own formal procedures.

Audit Findings and Conclusions

The Board generally complied with applicable PPB Rules, Comptroller's directives, and its own formal procedures, when processing small procurements. Specifically, most purchases were appropriately prepared and authorized. In general, purchases were supported by vendor invoices; invoices were checked for clerical accuracy; and payments matched invoice amounts. In addition, we found no evidence of split purchasing in violation of § 3-08 of the PPB Rules.

However, during Fiscal Year 2001, there were problems with some of the Board's small procurement purchasing practices. The Board's small procurement purchasing practices have improved during Fiscal Year 2003, although the problems still existed to a lesser degree.

Audit Recommendations

To address these issues, we make 11 recommendations that include the following:

- The Board should ensure that bids are solicited in accordance with PPB rules.
- Board officials should ensure that they maintain all the required documents in the procurement files to support purchases and payments.
- Board and OMB officials should find a workable solution to avoid late vendor payments.

- Board officials should ensure that the Board uses Miscellaneous Payment Vouchers according to the circumstances specified in Comptroller's Directive #25.

Discussion of Audit Results

The matters covered in this report were discussed with officials from the Board during and at the conclusion of this audit. A preliminary draft report was sent to Board officials and discussed at an exit conference held on April 21, 2003. On April 29, 2003, we submitted a draft report to Board officials with a request for comments. On May 28, 2003, we submitted a draft to OMB officials with a request for comments. We received a written response from the Board on May 13, 2003 and from OMB on June 6, 2003. Board officials generally agreed with the audit's findings and recommendations, stating:

“The Board wishes to make a global reply to all the recommendations

“The Board accepts, and will implement TO THE EXTENT POSSIBLE all the recommendations contained in this draft audit, dated April 29, 2003. We are gratified to note the recurrent theme in this audit of steady improvement from FY01 to FY03, and pledge to continue said improvements in FY04 and all succeeding years.”

In addition, OMB officials stated that they recognize the need for additional appropriations and have increased funding to the Board for Fiscal Year 2004.

Auditor Comments: Since the Board replied globally and agreed to implement all of the recommendations, we will not respond to individual recommendations.

The full text of the Board's and OMB's comments are included as an addendum to this report.

INTRODUCTION

Background

The Board of Elections (Board) administers elections and voter registration activities within the City of New York. In adherence to § 3-200 of the New York State Election Law, a Board of Elections has been established in each of the City's five counties. In addition to its five borough offices, the Board has a general administrative office located in Manhattan.

During Fiscal Year 2001, the Board encumbered funds for small procurements totaling \$705,958. Rules governing an agency's handling of small procurements are included in § 3-08 of the City's Procurement Policy Board (PPB) Rules. For Fiscal Year 2001, small procurements were defined as the purchase of goods and services totaling \$25,000 or less, construction and construction-related services totaling \$50,000 or less, and information technology totaling \$100,000 or less.

Objectives

The objectives of the audit were to determine whether the Board complied with applicable purchasing procedures regarding its small procurements, including PPB Rules, Comptroller's Directives #1, #6, #24, and #25, and its own formal procedures.

Scope and Methodology

The initial scope of our audit was small procurement purchases for Fiscal Year 2001.¹ However, during the audit Board officials stated that as a result of staff changes and updated procurement procedures, operations at the Board have recently improved. Therefore, we expanded our scope to include small procurement purchases for the first six months of Fiscal year 2003 (July 2002 through December 2002) to determine whether operations had improved.

To obtain an understanding of the Board's purchasing procedures, we interviewed the agency's Chief Contracting Officer, Finance Officer and Assistant Finance Officer, Budget Analyst, Director of Equipment, and Administrative Manager. We also reviewed the Board's *Fiscal Unit Procedures Manual* and *Agency Procurement Procedures*, and applicable Comptroller's directives and PPB Rules.

To determine the total encumbrances and payments made by the Board during Fiscal Year 2001 for small procurements, we obtained a list of all Board encumbrances and payments

¹ Board officials requested that we use Fiscal Year 2001 as our audit scope, as opposed to Fiscal Year 2002. Board officials stated that, due to events during Fiscal Year 2002 (the September 11, 2001 attack, the Mayoral and run-off elections) the Board did not always have the resources to ensure it complied with all small procurement purchasing procedures. Therefore, the purchasing practices that year were not indicative of the Board's normal procedures.

from the City Financial Management System (FMS); we also obtained a list of the same information from Board officials. We compared both lists for completeness.

To determine whether the Board complied with PPB Rules and Comptroller's directives, we selected two random samples for Fiscal Year 2001: a sample of 40 purchase orders (that represented 127 invoices and 48 payment vouchers), totaling \$154,234, from 156 purchase orders issued in Fiscal Year 2001²; and a sample of 25 miscellaneous vouchers, totaling \$549,433, from 568 miscellaneous vouchers paid during Fiscal Year 2001. In addition, we selected a random sample of 15 purchase orders (that represented 46 invoices and 23 payment vouchers), totaling \$115,591, from 64 purchase orders issued during the first six months of Fiscal Year 2003.

We reviewed the supporting documentation for each of our sampled transactions for both fiscal years to determine whether:

- Bids were solicited in accordance with PPB Rules.
- Purchases and payments were supported by requisitions, purchase orders, invoices, receiving reports, and vouchers.
- Purchases were appropriately prepared and reviewed.
- Purchase orders were certified for final payment.
- Invoices were clocked in at the time that they were received.
- Payments were made to vendors within the 30-day time period mandated by § 4-06 of the PPB Rules.
- Payments matched the invoices and vendors were paid the correct amounts.
- Invoices were checked for clerical accuracy and were canceled to prevent duplicate payment.
- Object codes were correctly charged.
- Miscellaneous vouchers were used correctly.

In addition, to determine whether there was evidence of split purchasing in violation of § 3-08 of the PPB Rules, which applies to small procurements, we sorted all purchase orders issued by the Board for Fiscal Year 2001 by vendor name, purchase order date, and dollar amount. We reviewed the purchase orders to determine whether the same or similar goods or services were purchased from the same vendor within a short time period (1-week) using

² Our sample selection for the purchase orders was limited to small procurements of \$1,000 or more.

different purchase orders. We determined whether any of these purchase orders for the same vendor, although individually below the small purchase limits set by § 3-08 of the PPB Rules for bidding, exceeded these limits when added together. To illustrate, for a \$3,000 purchase, an agency might attempt to forgo the competitive bidding required under § 3-08 by issuing three \$1,000 purchase orders at intervals a few days apart.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS), and included tests of the records and other auditing procedures we considered necessary. This audit was performed in accordance with the audit responsibility 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 officials from the Board during and at the conclusion of this audit. A preliminary draft report was sent to Board officials and discussed at an exit conference held on April 21, 2003. On April 29, 2003, we submitted a draft report to Board officials with a request for comments. On May 28, 2003, we submitted a draft to OMB officials with a request for comments. We received a written response from the Board on May 13, 2003 and from OMB on June 6, 2003. Board officials generally agreed with the audit's findings and recommendations, stating:

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“The Board accepts, and will implement TO THE EXTENT POSSIBLE all the recommendations contained in this draft audit, dated April 29, 2003. We are gratified to note the recurrent theme in this audit of steady improvement from FY01 to FY03, and pledge to continue said improvements in FY04 and all succeeding years.”

In addition, OMB officials stated that they recognize the need for additional appropriations and have increased funding to the Board for Fiscal Year 2004.

Auditor Comments: Since the Board replied globally and agreed to implement all of the recommendations, we will not respond to individual recommendations.

The full text of the Board's and OMB's comments are included as an addendum to this report.

**OFFICE OF THE COMPTROLLER
NEW YORK CITY**

DATE FILED: June 12, 2003

FINDINGS AND RECOMMENDATIONS

The Board generally complied with applicable PPB Rules, Comptroller's directives, and its own formal procedures, when processing small procurements. Specifically, most purchases were appropriately prepared and authorized. In general, purchases were supported by vendor invoices; invoices were checked for clerical accuracy; and payments matched invoice amounts. In addition, we found no evidence of split purchasing in violation of § 3-08 of the PPB Rules.

However, during Fiscal Year 2001, there were problems with some of the Board's small procurement purchasing practices. The Board's small procurement purchasing practices have improved during Fiscal Year 2003, although the problems still existed to a lesser degree. These issues are discussed in the following sections of this report.

Bids Not Solicited

During Fiscal Year 2001, the Board failed to solicit the required bids for each of the 13 purchase orders that required competitive bidding in our sample. Those 13 purchases totaled \$82,142.

Table I, below, summarizes the purchases in our sample that lacked the required bid documentation on file.

TABLE I

Purchases Not Bid

Vendor	Purchase Amount
Mutual Central Alarm Serv Inc.	\$2,794
Visual Word Systems, Inc.	3,067
C.S. Plumbing Inc.	3,298
New Horizons Computer	3,675
Office Works, Inc.	3,720
CS S Trucking	5,221
Liberty Moving and Storage	5,934
All Purpose Advertising	6,764
Blue Chip Office Automation	8,608
Positive Promotions	9,507
Rand Associates	9,554
Lucent Technologies	10,000
Avaya Incorporated	10,000
Total	\$82,142

Section 3-08 of the PPB Rules states that five suppliers are to be solicited for procurements costing more than \$2,500 but equal to or less than the small purchases limits.

To determine whether the Board's bidding practices had improved during Fiscal Year 2003, we reviewed a sample of purchases from that period. The Board did solicit the required bids for four (50%) of the eight purchase orders in our sample that required competitive bidding. Nevertheless, it failed to solicit required bids for the remaining four purchase orders. These four purchases totaled \$20,641.

The Board must ensure that the required number of vendors are solicited and that the required number of bids are obtained for its purchases.

Recommendation

1. The Board should ensure that bids are solicited in accordance with PPB Rules.

Inadequate Maintenance of Required Documents

The Board failed to maintain purchase requisitions, purchase orders, invoices, receiving reports, and payment vouchers in its procurement files to support purchases, as required by Comptroller's Directive #24. Although the Board's maintenance of purchasing documents has improved in Fiscal Year 2003, the problem still persists. Table II, below, details the various documents missing for both fiscal years:

TABLE II

Missing Purchasing Documents

Required Documents	Number (Percent) Missing Fiscal Year 2001	Number (Percent) Missing Fiscal Year 2003
Purchase Requisitions	40 (100%)*	15 (100%)*
Purchase Orders	31 (78%)	7 (47%)
Invoices	19 (15%)	6 (13%)
Receiving Reports	40 (100%)	15 (100%)
Payment Vouchers	9 (19%)	7 (30%)

* Board officials stated that it was their policy *not* to prepare requisitions.

According to Comptroller's Directive #24, procurement files should contain documentation indicating the quantity and description of the goods and services received, the signature of the individual verifying the receipt of the goods and services, the date that the goods and services were delivered, and the invoices. This documentation is necessary to indicate before payment is made that goods and services received meet purchase order and invoice specifications.

Each of the documents cited in the above table are an integral part of the purchasing process. They ensure before a payment is issued that purchases are needed, budgeted for, received and approved, as detailed below:

- **Purchase Requisitions:** Document the need for the goods requested.
- **Purchase Orders:** Allow for the encumbrance of funds. This allows the agency to appropriately assess its budget by setting aside funds before expenditures are made.
- **Invoices:** Are compared to receiving reports, checked for clerical accuracy, and cancelled to avoid duplicate payment.
- **Receiving Reports:** Confirm that the goods and services ordered were actually received.
- **Vouchers:** Are the written authorization for payments. The lack of vouchers can lead to unauthorized payments being made.

To maintain internal controls over agency purchases and ensure that purchases are needed, approved, budgeted for, received and accurately paid, the Board should document all aspects of its purchasing cycle.

Recommendation

2. Board officials should ensure that they maintain all the required documents in the procurement files to support purchases and payments.

Purchase Orders Were Prepared And Approved After the Invoice Dates

Purchase orders for 19 (48%) of the sampled 40 purchases were prepared and approved after the date on the invoices³. For example, the purchase order for Visual Word Systems, Inc., for the leasing of recording equipment was dated January 31, 2001, and the invoice was dated August 7, 2000. This means that the agency ordered and received the goods and services before preparing a purchase order and voucher. This is in violation of Comptroller's Directive #24, which requires the pre-encumbrance of funds prior to making a purchase.

Board officials stated that in emergency situations, they prepare and approve purchase orders after the invoice dates. Section 3-06 of the PPB Rules states that an agency can make an emergency purchase, permitting the agency not to follow the normal procurement method, but

³ The Board provided us with only nine purchase orders; therefore, we had to obtain dates for the remaining purchase orders from the FMS Listing of Purchase Orders processed during Fiscal Year 2001.

only in the event of an unforeseen danger to life, safety, property, or a necessary service. An emergency purchase must be documented in writing and must be approved by the Comptroller's Office and the Law Department. In the 19 cases cited above, we saw no documentation stating that these were emergency purchases.

During Fiscal Year 2003, 14 of the 15 sampled purchase orders were prepared and approved prior to the invoice dates⁴, as required by PPB rules. However, one purchase order for A-Art Locksmith, Inc., was prepared after the invoice date. Officials of the Board stated that this was an emergency situation. However, we saw no evidence of this in the closed payment file.

A purchase order is used by agencies to encumber funds. Encumbering funds before payments are made allows agencies to properly authorize and monitor expenses. Purchase orders are also used to document the approval to purchase items and to clearly state to the vendor the items ordered and terms of the sale. Preparing a purchase order after an item has been received defeats this purpose.

Recommendation

3. The Board should ensure that purchase orders are prepared before purchases are made.

Purchase Orders Missing the Necessary Certifications

As noted in the prior section, the Board could only provide us with the purchase orders for nine (23%) of our 40 sampled purchases. Purchase orders for each of these nine documents were missing a certification signature to indicate proper review of the purchase orders. Since we did not see purchase orders for the remaining 31 sampled purchases we cannot determine if they were properly certified as well.

Comptroller's Directive #24, § 8.4, requires that the payment voucher contain a preparer's certification, a pre-audit certification, and a departmental certification. Furthermore, § 8.2 states that "to prevent errors and to safeguard assets, individuals performing the purchasing, receiving, and vouchering function should be independent of each other."

Purchase orders should contain the necessary certification signatures indicating that the purchase has been reviewed for accuracy and completeness. By certifying the purchase order, the reviewer ensures that the purchases are correctly coded and that there is enough money in the budget to cover the purchase.

The Board's practice for certifying purchase orders did improve during Fiscal Year 2003. The Board certified each of the eight purchase orders that they had given us.

⁴ The Board provided us with only eight purchase orders; therefore, we had to obtain dates for the remaining purchase orders from the FMS Listing of Purchase Orders processed during Fiscal Year 2003.

It is important that the Board continues to ensure that purchase orders are properly authorized so that there is proof that the purchase orders have been sufficiently reviewed and that all duties have been segregated.

Recommendation

4. The Board should certify all purchase orders to ensure adequate controls over its procurement process.

Invoices Are Not Clocked In when Received

The Board did not have clock-in or receiving dates on any of the 108 invoices in our sample. The clock-in and receiving dates are important when determining whether late fees are due to vendors. The PPB Prompt Payment Guidelines state:

“When an agency receives an invoice, the first thing that should be done is to immediately clock it in, either by a date stamp or simply noting when it was received.

“In the event the invoice is not date stamped, the date of the invoice or, if later, the postmark on the envelope, plus five days, will serve as the clock-in date.”

FMS uses the clock-in date to determine an agency’s adherence to § 4-06 of the PPB Rules regarding timeliness of payments. If the Board does not clock in invoices when they are received, FMS uses an earlier date (the date of the invoice, or the fifth day after the postmark date on the envelope containing the invoice). This affords the agency less time to pay the invoice and remain in compliance with the prompt payment procedures outlined in PPB Rules, and may result in late fees that would not accrue if the Board clocked in all invoices.

During Fiscal Year 2003, the Board had clock-in or receiving dates on 31 (78%) out of the 40 invoices in our sample. Though this is an improvement over the practice during Fiscal Year 2001, the Board still did not clock-in or have receiving dates, as required by PPB rules, on nine (22%) of the 40 invoices.

Recommendation

5. The Board should ensure that invoices are clocked in when received.

Late Vendor Payments

The Board did not pay 84 (78%) of the 108 invoices in the sample, totaling \$74,037 within the time frames specified by PPB Rules. Section 4-06 of PPB Rules, *Prompt Payment*, states that agencies are required to pay all vendors within 30 calendar days from the date the agency receives a proper invoice or 37 days from the date when the goods or services are received⁵, whichever is later. As shown in Table III, below, 84 invoices were paid one to 351 days after the end of the 30-day time frame specified in PPB Rules.

Table III

Range of Days Exceeding the 30-Day Time
Frame Specified in PPB Rules

Range of Days Late	Number of Invoices	Amount
1 to 30	40	\$39,943
31 to 60	19	\$11,909
61 to 90	9	\$ 4,506
91 to 120	10	\$10,782
121 to 150	4	\$ 4,865
More than 150	2	\$ 2,032

Board officials stated that late payments occur because of under-funding by OMB. The Board, they said, must request additional funding from OMB during the year to pay bills. Board and OMB officials need to discuss this problem and find a workable solution to it.

During Fiscal Year 2003, the Board did improve on its payment practices. However, it did not pay 14 (35%) of the 40 invoices in the sample, totaling \$33,846, within the time frames specified by PPB Rules. Those 14 invoices were paid one to 60 days after the end of the 30-day time frame specified in PPB Rules.

Recommendations

6. Board and OMB officials should find a workable solution to avoid late vendors payments.

Board Response: “This recommendation places an onus on the Board that really should be placed on OMB. Board managerial and budgetary personnel basically know up front the cost of any given fiscal year. It is the practice of the Board to make this figure known

⁵ We were unable to use the time frame of 37 days from the date the goods or services are received because the Board had no receiving report to indicate the date that the goods or services were received.

to OMB and the City Council at the earliest appropriate moment. What happens next is beyond the Board's control."

Auditor Comments: The recommendation places an equal onus on the Board and on OMB. As stated previously, the Board and OMB should both work together to find a way to avoid late vendor payments.

OMB Response: "Recognizing the need for increased appropriations, the Executive Budget for Fiscal Year 2004, includes an addition to the baseline funding for the Board of Elections in the amount of \$8,007,837. We believe that this additional funding amount will be sufficient to enable the Board of Elections to carry out its responsibilities."

7. The Board should ensure that invoices are paid within the time frames specified in PPB Rules.

The Board Overpaid Vendors

Our review of the sample of 40 purchases made during Fiscal Year 2001 revealed that the Board overpaid four of the companies by a total of \$2,440, as shown in Table IV, below.

Table IV

Overpayment of Vendors

Vendor Name	Goods or Service	Invoice Amount	Amount Paid by Board	Overpayment
Mutual Central Alarm Service Inc.	Security Alarm	\$1,956	\$3,341	\$1,385
Rand Associates	Data Entry	8,959	9,554	595
Metro Parking Systems LTD	Parking	1,195	1,585	390
Great Spring Waters of America	Water	3,297	3,367	70
Total				\$2,440

Comptroller's Directive #24 states that:

"The individual signing the pre-audit certification acknowledges that a detailed review of the voucher and all its supporting documentation has been made in verification of the payment request."

In none of the above instances did the employee who performed the pre-audit review take the necessary steps to ensure that only appropriate payments were made. However, during Fiscal Year 2003 the Board improved its practices and did not make any overpayments.

Recommendation

8. The Board should ensure that an individual reviews the invoices prior to payment so that the correct amounts are paid.

Invoices Were Not All Marked “Vouchered”

Not all parts, especially the invoices, were marked “vouchered” in any of the 40 voucher files reviewed in our sample for Fiscal Year 2001, or in any of the 15 voucher files reviewed in our sample for Fiscal Year 2003. Comptroller’s Directive #24, § 8.5, states that *all* documents in the vouchering package should be stamped with the word “vouchered.” By not stamping all parts of the voucher file as “vouchered,” especially all copies of the invoices, the Board increases the chance of duplicate payments.

Recommendation

9. The Board should ensure that all parts of the voucher package, especially the invoices, are marked “vouchered” to avoid any duplicate payments.

The Board Used Incorrect Object Codes

A total of seven (78%) of the nine purchase orders provided to us by the Board, totaling \$19,063, were charged to incorrect object codes. (As noted in the prior section the Board only had purchase orders for nine of the 40 purchases in our sample.) For example, the Board charged \$1,516 for a Crystal Report Developer from Software Solutions to object code 100 (Supplies and Materials) rather than to object code 684 (Professional Services-Computer Services). The City’s Chart of Accounts states that all payments for professional computer-related services performed by other than City employees should be charged to object code 684.

Comptroller’s Directive #24, § 8.4, states that “the reviewer should . . . examine the accounting and budget codes used and determine that they are correct—the proper fund should be charged.”

Table V, below, summarizes the Board’s Fiscal Year 2001 purchases charged to the incorrect object codes.

TABLE V

Summary of Purchases Charged to Incorrect Object Codes

Description of Purchase	Dollar Amount of Purchase	Object Code Charged	Object Code that Should Have Been Charged
Petitions Printing	\$1,144	100 – Supplies and Materials - General	101– Printing Supplies
Camera Equipment	1,169	100 – Supplies and Materials - General	300 – Equipment-General
Crystal Report Developer	1,516	100 – Supplies and Materials - General	684 – Professional Services - Computer Services – Contractual
Application Development Time	1,750	400 – Contractual Expenditures - General	684 – Professional Services - Computer Services – Contractual
Computer System	2,231	400– Contractual Expenditures - General	332 – Purchases of Data Processing Equipment
Printing of Various Forms	1,746	100 – Supplies and Materials - General	101– Printing Supplies
Printing of Booklet	9,507	100 – Supplies and Materials - General	101– Printing Supplies
Total	\$19,063		

The Board’s practices for charging purchases to the correct object code did improve during Fiscal Year 2003. The Board correctly coded 14 (93%) of our sample of 15 Fiscal Year 2003 purchase orders.

The use of the correct object code enables an agency to categorize the type and amount of a particular expense item within a fiscal year. This information is used to generate the year-end reports that identify expenditure patterns. Expenditures by object code are also reported in the *Financial Report of the Comptroller*. The use of incorrect object codes can compromise management’s ability to properly plan future budgets.

Recommendation

10. The Board should ensure that purchases are charged to the correct object codes.

Miscellaneous Payment Vouchers are not Used Correctly

The Board inappropriately used miscellaneous payment vouchers totaling \$467,586 in 18 (72%) of the 25 Fiscal Year 2001 payment vouchers that we reviewed.

Directive #25 states that Miscellaneous Payment Vouchers are to be used when the estimated or actual future liability is not determinable for expenses such as payments for utility

and postmaster, establishment of and increases to imprest funds, and reimbursements for out-of-pocket expenses such as carfare, tolls, telephones, mileage. They should not be used for the purchase of supplies, equipment, materials, and services; for monthly rent payable on leases; or for license agreements of other uses of real property. Neither should they be used when the actual or future use is determinable, as in a contract.

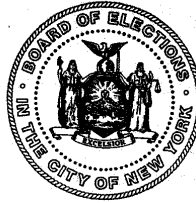
The Board did not properly use 18 Miscellaneous Payment Vouchers in the following ways:

- Five (20%) of 25 Miscellaneous Payment Vouchers, totaling \$190,349, were used to pay vendors who already had existing contracts.
- Six (24%) of 25 Miscellaneous Payment Vouchers, totaling \$17,260, were used to pay re-occurring expenses that were on an annual basis. These expenses should be encumbered at the beginning of the year by preparing a blank purchase order.
- Seven (28%) of 25 Miscellaneous Payment Vouchers, totaling \$259,977, were used for the payment of rent or lease of property.

According to Comptroller's Directive #25 "the inappropriate use of Miscellaneous Vouchers contributes to the distortion of the City's books of accounts by understaffing the City's outstanding obligations." Board officials should issue Miscellaneous Payment Vouchers in accordance with Comptroller's Directive #25.

Recommendation

11. Board officials should ensure that the Board uses Miscellaneous Payment Vouchers according to the circumstances specified in Comptroller's Directive #25.



NANCY MOTTOLA -
SCHACHER
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JOHN RAVITZ
EXECUTIVE DIRECTOR

GEORGE GONZALEZ
DEPUTY EXECUTIVE DIRECTOR

PAMELA GREEN PERKINS
ADMINISTRATIVE MANAGER

May 13, 2003

Mr. Greg Brooks
Deputy Comptroller
Office of the Comptroller Executive Offices
1 Centre Street
New York, NY 10007-2341

Re: Response to Draft Report Audit on the Small Procurement Practices of the Board
of Elections
Audit Number MD03-066A

Dear Mr. Brooks,

The Board wishes to make a global reply to all the recommendations, and then add specific comments to two of them.

Global Reply:

The Board accepts, and will implement to THE EXTENT POSSIBLE all the recommendations contained in this draft audit, dated April 29, 2003. We are gratified to note the recurrent theme in this audit of steady improvement from FY01 to FY03, and pledge to continue said improvement in FY04 and all succeeding years.

Specific Reply to Recommendation #2:

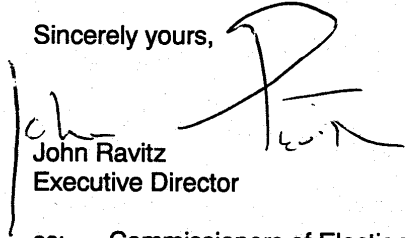
As pointed out to the auditors at the exit conference on April 21, 2003, Comptrollers directive #24 does not require that purchase requisitions commence the purchase cycle; what it does is recommend that purchase requisitions commence the purchase cycle. As noted above, however, the Board will implement this recommendation.

Specific Reply to Recommendation #6:

This recommendation places an onus on the Board that really should be placed on OMB. Board managerial and budgetary personnel basically know up front the cost of any given fiscal year. It is the practice of the Board to make this figure known to the

Office of Management and Budget (OMB) and the City Council at the earliest appropriate moment. (I have appended my most recent testimony of this nature). What happens next is beyond the Board's control. We have also appended a chart, which shows the appropriated monies for FY01, FY02, and FY03, and the subsequent MN funding that was required. Had OMB supplied the final appropriations as the initial appropriations no delay in paying vendors would have ensued. This problem is not the Board's problem, it is OMB's problem.

Sincerely yours,



John Ravitz
Executive Director

cc: Commissioners of Elections
George Gonzalez, Deputy Executive Director
Pamela Perkins, Administrative Manager
Elliot Borack, ACCO
John Ward, Finance Officer



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ADMINISTRATIVE MANAGER

TESTIMONY BY JOHN RAVITZ, EXECUTIVE DIRECTOR NYC BOARD OF ELECTIONS

NYC COUNCIL COMMITTEE ON GOVERNMENTAL OPERATIONS
Friday, March 14, 2003 – 10:00 A.M.

Mr. Chairman and members of the committee, I would like to thank you for this invitation to appear before you this morning.

I assumed my duties as the Executive Director of the Board of Elections on January 31st. While I am certainly no stranger to the process of politics and elections, these last six weeks, which included the four special elections on February 25th, was a new experience in the process for me. One of those races, the 43rd Council District in Brooklyn was finally completed yesterday. All in all my baptism by fire has been eventful.

The first thing that I learned during my "crash course" at the Board was the commitment of an agency that understands its fundamental mandate, which is to facilitate fair and open elections for the people of New York City.

I would remind the members of this committee what the Board had to accomplish to ensure that the elections took place after the 9/11 attacks. Two weeks after the attacks the Board conducted the rescheduled primary, two weeks after that the Mayoral run-off and then the November 6th election. The Board overcame every logistical nightmare one could think of; missing machines, blocked access to facilities and both computer and communication breakdowns. One of the first things I noted as I entered my new office were the plaques on the walls which had been awarded to the Board by the National and State electoral bodies in testimony to the Board's Herculean efforts.

The Board is now undertaking procedures concerning the redistricting of all the City Council lines. My staff and I just received the final plan that the NYC Districting Commission filed with the City Clerk on March 4th. I must alert the members of this

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New York City Council
Governmental Operations Committee
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committee and the entire council that the new maps have 463 splits of existing Election Districts. This huge number of Election District splits will require pre-clearance by the Justice Department, in the effected districts in Brooklyn, the Bronx and Manhattan. It will also cause the Board to create new polling sites. That process will be a huge financial burden on us, as we will have to alert voters of their new polling site through the mail, add inspectors to the new sites and buy new voting machines for those sites. In addition I am sure that Council members will be concerned about the confusion that these new split Election Districts will have on their constituents, especially those who have voted in the same polling site for years. Let me state on the record, that this approved plan does not come from the Board but from the Districting Commission with approval by the Council. We will do everything in our power to ensure that this process is handled in a responsible manner. I hope that the Council will assist the Board in helping to locate possible new poll sites as well as secure additional funding if we are forced to purchase new voting machines.

There are three other issues that I would like to raise with you this morning that will be critical to the Board over the next year.

The first is the implementation of the Help America Vote Act (HAVA). This legislation, which passed both the Congress and the Senate and which President Bush signed into law at the end of last year, offers important opportunities for New York to address election related issues, which can improve the voter registration and voting process. The Federal Government will be providing federal funds to help implement portions of the legislation. Due to the complexity of the legislation and the fact that New York City has more registered voters then any other jurisdiction in the state, I must alert the committee that the Board is going to have to spend additional money to ensure that we comply with the legislation.

I have been asked to serve on the statewide HAVA task force, which is presently meeting on a weekly basis to deal with such issues as:

- (1) How New York will create one computerized statewide voter registration database.
- (2) The adoption of one statewide voting system standard.
- (3) Additional election administration requirements, which will include identification requirements for first time registrants who register by mail.
- (4) The implementation, management and funding of HAVA.

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I will be happy to supply any members of this committee with more information regarding the ongoing work of the HAVA task force.

The second issue that I'd like to bring to your attention is the Board's proposed preliminary budget for the fiscal year 2004 (FY'04). Our latest estimate of FY'03 spending leads us to conclude that the Board will need a total of \$58,179,959 to get through this two-event fiscal year. To project FY'04, which will include three major elections, we need to add the cost of a Presidential Primary (\$20,000,000). The projected cost of FY'04 will be \$78,179,959. This does not include the possible \$9,100,000 that would be required by a rescheduled school board election.

As of today, we have been funded with \$58,203,991 for FY'04, including \$8,031,869 to be used to pay DCAS leases on behalf of the Board. If we back out the lease money we are left with \$50,172,122. Based on the above analyses the Board is under funded by \$28,007,837 for FY'04. Due to this serious fiscal matter an appropriation of \$86,211,828 is necessary if we are expected to pay all of our bills as well as reimburse DCAS for our leases.

Starting a fiscal year under funded is nothing new for the Board. As a result a great deal of work is done by this agency on variance reports, soothing disgruntled vendors, rushing checks, explaining payment practices to auditors, figuring out partial payments for vendors and other extraneous task that could be avoided with timely adequate funding. We are striving to increase the level of professionalism at the Board and feel that adequate funding is the corner stone on which to base sound business practices.

While the projections I am giving you today is a good faith estimate of our fiscal weakness, any additional future demands placed on the Board will have to be funded in FY'04 with new money.

I realize that it is early in the budget process. Improvements can be made in our fiscal picture in the Executive Budget, the Adopted Budget and even post-adoption via the budget modification process. What is important for this committee to know is that the Board has specific permanent needs for FY'04. And as I have already stated to you, there will be new financial obligations placed on the Board with the implementation of the Help America Vote Act.

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The final issues that I would like to touch on this morning are the Board's future plans in key areas. In the area of technology, we are presently working on two important programs.

As you know the Board is responsible for managing the election process for federal, state and local elections. In order to carry out that responsibility there is a need to upgrade and streamline its candidate processing and election support system. It is also essential that this effort anticipates the potential for future election technology and meets all the election laws and regulations.

This is a critical undertaking for the Board in that the present system is difficult to maintain, adapt and expand to meet changing and future needs. It is also tied to technology for which it is getting more difficult to obtain knowledgeable human resources. The present system makes it increasingly more difficult and costly for the Board to respond to the public's growing need for timely election information.

Our new program will develop a system to replace CPR/ENCORE. The present candidate and election support system is built around mainframe technology with over twenty years of modifications, additions and deletions, many of which are ad-hoc and not fully documented. The present system also does not integrate the candidate and document management structure with the election process in the supporting systems. Interfaces to other key systems such as Poll Site, Voter Registration (AVID) and Poll Worker are not integrated, requiring ad-hoc methods of integration.

The new system will be designed to meet several objectives:

- (1) Single data entry point for all information.
- (2) A distributed architecture and client server design.
- (3) Automatic file regeneration techniques for continuous updating of all files and systems components.
- (4) Inquiry, report and correspondence generation facilities.
- (5) Electronic submission and data editing facilities.
- (6) Provide for future systems facility for electronic voting and vote capturing.

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The other program that the Board is presently working on will develop a new system to replace the present poll worker support system built around mainframe technology. The new system will maintain a poll worker's history and will integrate poll worker recruitment, selection, assignment and election/post election processing. It will interface with other key systems such as AVID, Poll Site, and the City Comptroller's office. The new system will also automate poll worker assignments, the scheduling of poll worker training, the transmission of payment due information and assignment and training notifications.

The implementation of these two programs I believe demonstrates the Board's commitment to continue to upgrade our technology to help the voters of New York City.

The Board is also striving to raise the level of performance of our poll workers and inspectors. We have created a new training video and manual that will be updated to incorporate the HAVA legislation for all of our poll workers. I have also met with representatives of the good government groups who are concerned about the election process and asked their assistance in helping to recruit new poll workers and inspectors from their list of members and volunteers. I have also had conversations with representatives from CUNY and will be reaching out to the independent colleges throughout the city in the hopes of engaging their political science and urban planning students to take our training course to become a poll worker or an inspector and in addition to being paid by the Board of Elections receive additional credit from their school.

We are also increasing our community outreach program, by going to as many street fairs, block parties and other community public events with our voter registration team. It is our goal to help register as many new voters as possible over the next few months.

The Board's team will also be going to as many public and private high schools as possible throughout the city to help educate our older teens about their right to register and vote.

I look forward to working with the Chairman of this committee, Speaker Miller and the Mayor as this budget process continues over the next few months.

In conclusion let me state how proud I am to have joined such a fine agency, which has such an impressive legacy. My staff and I look forward to working with this committee and will always be available to answer your questions. Thank you.

Unit of Appropriation Summary Inquiry			
Budget FY	03	Fund	001
Agenc	003	U/A	002
	Amounts	# Positions / Contracts	
Adopted Budc	31,748,088	34	
Current Modified Buc	41,491,598	35	
Pending MN	1,476,187	0	
Budget Reserve	0		
Pre-Encumberec	332,982.83	Obligations	33,838,254.03
Encumbered	1,007,825.80	Commitments	34,171,236.86
Expenditures	32,630,428.23	Unobligated Bal	7,653,343.97
Unliquidated	15,640.34	Uncommitted Bala	7,320,361.14
Liquidated	32,814,787.89		
Post Closing Adjustme	0.00	Pending MY Accru	325.00
City Council Latest Appr	41,491,598	Date	05 / 05 / 03
5 Percent Amount Inc / L	2,074,579	Amount Use	0
Amount Available l	2,074,579	Amount Available l	2,074,579

Unit of Appropriation Summary Inquiry			
Budget FY	03	Fund	001
		Agenc	003
		U/A	001
	Amounts		# Positions / Contracts
Adopted Budc	13,708,672		298
Current Modified Buc	13,708,672		298
Pending MN	1,475,826		0
Budget Reserve	0		
Pre-Encumberec	0.00	Obligations	12,887,430.89
Encumbered	0.00	Commitments	12,887,430.89
Expenditures	12,887,430.89	Unobligated Bal	821,241.11
Unliquidated	0.00	Uncommitted Bala	821,241.11
Liquidated	12,887,430.89		
Post Closing Adjustme	0.00	Pending MY Accru	0.00
City Council Latest Appr	13,708,672	Date	/ /
5 Percent Amount Inc / I	685,433	Amount Use	0
Amount Available I	685,433	Amount Available I	685,433

Unit of Appropriation Summary Inquiry			
Budget FY	02	Fund	001
		Agenc	003
		U/A	002
	Amounts		# Positions / Contracts
Adopted Budc	23,259,923		37
Current Modified Buc	53,627,347		36
Pending MN	0		0
Budget Reserve	0		
Pre-Encumberec	0.00	Obligations	51,541,787.88
Encumbered	0.00	Commitments	51,541,787.88
Expenditures	51,541,787.88	Unobligated Bal	2,085,559.12
Unliquidated	0.00	Uncommitted Bala	2,085,559.12
Liquidated	51,541,787.88		
Post Closing Adjustme	0.00	Pending MY Accru	0.00
City Council Latest Appr	45,544,030	Date	06 / 26 / 02
5 Percent Amount Inc / L	2,277,201	Amount Use	-534,177
Amount Available l	2,811,378	Amount Available l	1,743,024

Unit of Appropriation Summary Inquiry			
BudgetFY	02	Fund	001
		Agenc	003
		U/A	001
	Amounts	# Positions / Contracts	
Adopted Budc	12,855,487	302	
Current Modified Buc	15,958,194	302	
Pending MN	0	0	
Budget Reserve	0		
Pre-Encumberec	0.00	Obligations	15,940,005.23
Encumbered	0.00	Commitments	15,940,005.23
Expenditures	15,940,005.23	Unobligated Bal	18,188.77
Unliquidated	0.00	Uncommitted Bala	18,188.77
Liquidated	15,941,414.71		
Post Closing Adjustme	-1,409.48	Pending MY Accru	0.00
City Council Latest Appr	14,401,080	Date	06 / 26 / 02
5 Percent Amount Inc / [720,054	Amount Use	534,177
Amount Available	185,877	Amount Available	1,254,231

Unit of Appropriation Summary Inquiry			
Budget FY	01	Fund	001
		Agenc	003
		U/A	001
	Amounts		# Positions / Contracts
Adopted Budc	11,265,624		304
Current Modified Buc	14,071,818		302
Pending MN	0		0
Budget Reserve	0		
Pre-Encumberec	0.00	Obligations	14,069,096.42
Encumbered	0.00	Commitments	14,069,096.42
Expenditures	14,069,096.42	Unobligated Balr	2,721.58
Unliquidated	51,708.20	Uncommitted Bala	2,721.58
Liquidated	14,017,024.98		
Post Closing Adjustme	363.24	Pending MY Accru	0.00
City Council Latest Appr	14,031,818	Date	06 / 08 / 01
5 Percent Amount Inc / C	701,590	Amount Use	40,000
Amount Available l	661,590	Amount Available l	741,590

Unit of Appropriation Summary Inquiry			
Budget FY	01	Fund	001
		Agenc	003
		U/A	002
	Amounts		# Positions / Contracts
Adopted Budo	22,509,824		34
Current Modified Buc	30,905,197		34
Pending MN	0		0
Budget Reserve	0		
Pre-Encumberec	0.00	Obligations	30,091,757.90
Encumbered	0.00	Commitments	30,091,757.90
Expenditures	30,091,757.90	Unobligated Bal:	813,439.10
Unliquidated	981,034.99	Uncommitted Bala	813,439.10
Liquidated	29,110,722.91		
Post Closing Adjustme	0.00	Pending MY Accru	0.00
City Council Latest Appr	30,945,197	Date	06 / 08 / 01
5 Percent Amount Inc / L	1,547,259	Amount Use	-40,000
Amount Available l	1,587,259	Amount Available l	1,507,259

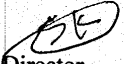


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Mark Page
Director

June 6, 2003

To: Greg Brooks
Deputy Comptroller for Policy, Audit, Contracts
and Accountancy

From: Stuart Klein 
First Deputy Director

Subject: Draft Audit Report MD03-066A

On behalf of OMB, I am responding to your draft audit report entitled, "Audit Report on the Small Procurement Practices of the Board of Elections." On page 11 you indicate that "Board officials stated that late payments occur because of under-funding by OMB." You therefore have made Recommendation #6 which suggests "Board and OMB officials should find a workable solution to avoid late vendor payments."

The Board has no authorization to make purchases that exceed the amounts appropriated to it for those purposes in the City's Budget. Recognizing the need for increased appropriations, the Executive Budget for Fiscal Year 2004, includes an addition to the baseline funding for the Board of Elections in the amount of \$8,007,837. We believe that this additional funding amount will be sufficient to enable the Board of Elections to carry out its responsibilities.

If you need any additional information or wish to discuss this further, please contact Steve Levine, Deputy Director at (212) 788-5907 or Donald Brosen, Assistant Director at (212) 788-6332.

cc: Steve Levine, OMB
Donald Brosen, OMB