

# 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 Office of Collective Bargaining**

*ME08-061A*

**June 25, 2008**



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 compliance of the Office of Collective Bargaining (OCB) with applicable Procurement Policy Board rules, Comptroller's Directives, and its own procedures relating to procurement practices.

OCB was created in 1967 to administer and enforce the provisions of the New York City Collective Bargaining Law and to resolve disputes between City labor and management. We audit procurement practices to ensure that City funds are spent in full compliance with established guidelines.

The results of our audit, which are presented in this report, have been discussed with OCB 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](mailto:audit@comptroller.nyc.gov) or telephone my office at 212-669-3747.

Very truly yours,

A handwritten signature in black ink, appearing to read "William C. Thompson, Jr.", with a stylized flourish at the end.

William C. Thompson, Jr.  
WCT/ec

**Report:** ME08-061A  
**Filed:** June 25, 2008

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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 Office of Collective Bargaining**

**ME08-061A**

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**AUDIT REPORT IN BRIEF**

This audit determined whether the Office of Collective Bargaining's (OCB's) procurement practices complied with applicable Procurement Policy Board (PPB) rules, Comptroller's Directives, and its own procedures. The scope period of this audit was Fiscal Year 2007 (July 1, 2006 to June 30, 2007).

OCB was created in 1967 to administer and enforce the provisions of the New York City Collective Bargaining Law. OCB was established to resolve disputes between City labor and management. In Fiscal Year 2007, the Office of Collective Bargaining expended \$1.8 million, of which \$527,933 was for Other Than Personal Services (OTPS).

**Audit Findings and Conclusions**

OCB's procurement practices generally complied with applicable procurement guidelines, including PPB rules, Comptroller's Directives, and its own procedures. Specifically, for our sampled payments, we determined that items purchased were necessary for OCB's office operation; purchase documents were appropriately prepared and approved; vouchers had sufficient documentation to support payment and expenditures were charged to the correct budget and object codes. In addition, imprest fund expenditures did not exceed \$250 and included a specific payee; miscellaneous vouchers were used appropriately; and computations on vouchers were accurate. Furthermore, there was an adequate segregation of responsibilities in the procurement process; there were no instances of split purchasing to avoid purchasing rules; and OCB had adequate controls over its inventory of computer and electronic equipment.

However, there were some minor findings in our sample of general purchase payment vouchers and in the computer and electronic equipment inventory. Three invoices were not stamped "Vouchered" or "Paid"; one purchase document did not have an approval stamp; one payment should have been charged to another fiscal year; and one computer monitor was not on the inventory lists.

### **Audit Recommendations**

Since we found no material weakness in OCB's procurement practices, we make no recommendations in this report.

### **Agency Response**

In their response, OCB officials acknowledged and accepted the audit's findings.

## **INTRODUCTION**

### **Background**

The Office of Collective Bargaining was created in 1967 to administer and enforce the provisions of the New York City Collective Bargaining Law. OCB was established to resolve disputes between City labor and management. OCB is authorized to resolve questions concerning union representation, collective bargaining, claims of improper labor practices, and the contractual arbitration process.

In Fiscal Year 2007, the Office of Collective Bargaining expended \$1.8 million, of which \$527,933 was for Other Than Personal Services. OCB expended \$505,798 for 174 payment vouchers that are the subject of this audit. These included 7 miscellaneous payment vouchers totaling \$4,458, 7 payment vouchers to reimburse the imprest funds totaling \$4,402, and 160 payment vouchers totaling \$496,938. In addition, in Fiscal Year 2007, the Department of Information Technology and Telecommunications charged OCB \$20,322 for telephone services, and the Department of Citywide Administrative Services charged OCB \$1,498 for general supplies and \$315 for general contract services.

### **Objective**

The audit's objective was to determine whether OCB's procurement practices complied with applicable Procurement Policy Board rules, Comptroller's Directives, and its own procedures.

### **Scope and Methodology**

The scope of the audit was Fiscal Year 2007 (July 1, 2006 through June 30, 2007).

To gain an understanding of OCB's procurement practices, we interviewed agency officials: the Director of Administration, the Agency Chief Contracting Officer (ACCO), and the Purchasing Officer. We also interviewed the Local Area Network (LAN) Administrator to obtain information about OCB's computer inventory. In addition, we conducted walk-throughs of OCB's procurement process.

Furthermore, to gain an understanding of the policies, procedures, and regulations governing OCB procurement practices, we reviewed its purchasing procedures, relevant PPB rules, and Comptroller's Directives #1 (Agency Evaluation of Internal Controls), #3 (Procedures for the Administration of Imprest Funds), #6 (Travel, Meals, Lodging and Miscellaneous Agency Expenses), and #24 (Agency Purchasing Procedures and Controls). In addition, OCB's Fiscal Year 2007 budget and other relevant documentation were reviewed to gain an understanding of the agency and its procurement practices.

A prior audit performed by the Comptroller's Office, *Audit Report on the Payroll, Timekeeping, and Other Than Personal Services Expenditures of the Office of Collective Bargaining July 1, 2002—June 30, 2003* (FN04-080A), issued in March 26, 2004, was also reviewed to determine whether there were any recurring issues.

To determine whether OCB complied with applicable PPB rules, Comptroller's Directives, and its own procedures, we obtained from OCB a New York City Financial Management System (FMS) list of its OTPS voucher payments, which totaled \$505,798 during Fiscal Year 2007. From this listing, we identified 174 payment vouchers, which included 7 miscellaneous payment vouchers (PVM), 7 imprest fund reimbursement payment vouchers (PVR), and 160 general purchase payment vouchers (PVE).

To examine and evaluate OCB procurement processes, we selected 26 of the 174 payment vouchers: 3 PVMs, 2 PVRs and 21 PVEs, with a total value of \$77,124, as follows:

- The 3 PVMs with the highest dollar amounts (totaling \$2,761),
- The 2 PVRs for which the voucher line amount listed was greater than \$250 (totaling \$677), and
- 21 of the 160 PVEs (totaling \$73,686).

The 21 PVEs in our sample were selected as follows:

- The 1 payment voucher (valued at \$7,250) associated with the one small purchase document,
- The 2 payment vouchers with the highest dollar amounts (totaling \$1,519) associated with the four requirement contracts used during this period,
- The 3 highest payment vouchers (totaling \$48,550) associated with the three (of the six) regular contracts with the highest total payments during this period, and
- The 15 payment vouchers (totaling \$16,367) associated with 15 randomly selected micro-purchase documents (of the 43 micro-purchase documents).

We requested all relevant documentation for our sampled purchases. We reviewed each requisition, purchase order, invoice, payment voucher, and other documentation in the voucher package to determine whether the purchases were appropriate and whether the goods or services were actually received. We also determined whether appropriate bids were obtained; whether the purchases were charged to the correct budget codes, object codes, and time periods; and whether they were properly authorized. To determine whether the voucher amounts were calculated correctly, we traced and recalculated the amounts on the supporting requisitions and vendor invoices to the voucher totals. In addition, we determined whether there was an adequate segregation of duties in OCB's procurement practices. Specifically, we determined whether different employees prepared and approved the purchase orders and vouchers.

To determine whether OCB 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. We reviewed the list to determine whether OCB made multiple purchases from any one vendor that had a total that exceeded \$5,000. We then determined whether OCB inappropriately split purchases to circumvent the bidding requirement rules for purchases over \$5,000.

To assess the adequacy of OCB controls over its computers and electronic equipment, OCB's 2006 Comptroller's Directive #1 Financial Integrity Statement filing was reviewed, specifically the inventory section, Part F. In addition, we obtained inventory lists to identify the computers and electronic equipment maintained by OCB. A total of 83 items were identified on inventory lists we received on October 24, 2007, October 25, 2007, and December 19, 2007. We selected a random sample of 21 items and a judgmental sample of 16 items to perform a physical inventory. We also conducted a walk-through of OCB offices to determine whether eleven computers and other electronic items were included on OCB's inventory lists.

We did not evaluate the reliability and integrity of the computer-processed purchasing data that we obtained from FMS, since the City's external auditors review this Citywide system as part of their annual audit of the City's financial statements.

The results of the above tests, while not statistically projected to their respective populations, provided a reasonable basis for assessing the compliance of OCB's procurement practices with the noted criteria.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of records and other auditing procedures considered necessary. This audit 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 OCB officials during and at the conclusion of this audit. A preliminary draft report was sent to OCB officials on February 29, 2008. On March 18, 2008, we submitted a draft report to OCB officials with a request for comments. We received a written response from OCB officials dated March 20, 2008. In their response, OCB officials acknowledged and accepted the audit's findings.

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



## **FINDINGS AND RECOMMENDATIONS**

OCB's procurement practices generally complied with applicable procurement guidelines, including PPB rules, Comptroller's Directives, and its own procedures. Specifically, for our sampled payments, we determined that items purchased were necessary for OCB's office operation; purchase documents were appropriately prepared and approved; vouchers had sufficient documentation to support payment and expenditures were charged to the correct budget and object codes.

In addition, imprest fund expenditures did not exceed \$250 and included a specific payee; miscellaneous vouchers were used appropriately; and computations on vouchers were accurate. Furthermore, there was an adequate segregation of responsibilities in the procurement process; there were no instances of split purchasing to avoid purchasing rules; and OCB had adequate controls over its inventory of computer and electronic equipment. However, there were some minor findings in our sample of general purchase payment vouchers and in the computer and electronic equipment inventory. Three invoices were not stamped "Vouchered" or "Paid"; one purchase document did not have an approval stamp; one payment should have been charged to another fiscal year; and one computer monitor was not on the inventory lists.

### **OCB's Procurement Practices** **Generally Complied with Applicable** **Procurement Guidelines**

OCB generally adhered to the requirements outlined in PPB rules, Comptroller's Directives #1, #3, #6, and #24, as well as its own procedures. Our review of a sample of purchases gave reasonable assurance that OCB had adequate controls over its use of payment vouchers, miscellaneous vouchers, and imprest fund reimbursement vouchers.

#### **Payment Vouchers Were Properly Processed and Authorized**

Based on our sample review, OCB personnel properly processed and authorized agency purchases in Fiscal Year 2007.

As stated in Comptroller's Directive #24, purchase documents "represent an agreement with a vendor to purchase goods or services, and are used to record the accounting event associated with the purchase. Purchasing Documents consist of Requisitions, Purchase Documents, FMS Contract Documents, and Payment Vouchers." In addition, purchase documents provide the agency with a permanent record to document the purchase of goods or services and facilitate the review and approval process by agency personnel during the vouchering function.

Section 3-08 of the PPB rules states that for small purchases more than \$5,000 in value, at least five vendors should be contacted through either oral or written solicitations, and responsive bids should be obtained from at least two vendors. For small purchases more than \$25,000, vendors should be contacted through a written solicitation.

To verify that OCB complied with the applicable PPB rules and Comptroller's Directives, a sample of 26 of the 174 payment vouchers issued by OCB in Fiscal Year 2007 was reviewed. These 26 payment vouchers had a total value of \$77,124. Our examination disclosed that OCB, in general, properly authorized purchases, charged the correct object codes, sought and obtained the required number of bids, documented the receipt of goods and services, and made authorized payments on its procurements, as required.

However, for the 26 payment vouchers in our sample, one purchase document valued at \$712 did not have an approval stamp as required by OCB procedures; one payment valued at \$192 was not charged to the correct fiscal year; and three invoices totaling \$5,750 were not stamped "Vouchered" or "Paid" to avoid duplicate payments as required by Comptroller's Directives #1 and #3.

### **No Evidence of Split Purchases**

Our review of OCB's procurements in Fiscal Year 2007 did not reveal any evidence of split purchases.

Comptroller's Directive #24 states that "City agencies may not artificially split purchases by the use of Purchase Documents when an FMS contract document is required. Intentionally splitting a purchase to circumvent law, rules, regulations, or Comptroller's Directives is also prohibited, whether using FMS purchase documents or any other documents." As noted above, PPB rules state that for small purchases more than \$5,000 in value, at least five vendors should be contacted through oral or written solicitations and responsive bids should be obtained from at least two vendors. For small purchases more than \$25,000, vendors should be contacted through a written solicitation. To circumvent these requirements, an agency may attempt to split purchases so that individual purchases do not reach these thresholds.

To determine whether there were any split purchases, OCB's purchases in Fiscal Year 2007 were sorted by vendor and item ordered. We did not find any instances of split purchasing of goods or services that in the aggregate exceeded \$5,000.

### **Miscellaneous Vouchers Were Properly Processed and Authorized**

Based on our sample review, OCB properly authorized and used miscellaneous vouchers in Fiscal Year 2007.

Comptroller's Directive #24 states that "Miscellaneous Payments Vouchers may be used only when estimated or actual future liability is not determinable, or a contract or a Purchase Document is not required or applicable." Furthermore, Comptroller's Directive #6, states that "Personal Expense Reimbursement Requests must describe the specific reason for each use."

To determine whether OCB exercised proper control and authority over its miscellaneous vouchers, a selected sample of three of the seven miscellaneous vouchers issued by OCB in Fiscal Year 2007 was reviewed. We found that the miscellaneous vouchers were used only for

allowable purposes as required by the directives, were properly prepared and approved, and were charged to the correct object codes.

### **Imprest Fund Vouchers Were Properly Processed and Authorized**

Based on our sample review, OCB properly handled its imprest fund reimbursement vouchers in Fiscal Year 2007.

Comptroller's Directive #3 states that agencies may "use imprest funds for a variety of minor expenditures. Appropriate imprest fund expenditures, each of which must not exceed \$250, include the purchase of supplies, materials and small equipment. The payment of employee expenses such as local transportation, out-of-town travel costs and other allowable costs are permitted."

We selected and reviewed two of the seven imprest fund reimbursement payment vouchers issued by OCB in Fiscal Year 2007. Relevant supporting documentation and receipts were examined. We reviewed voucher packages showing disbursements from the imprest fund associated with requests to replenish the imprest fund by \$316 and \$361. We concluded that the expenditures were authorized, permissible, and within allowed amounts. Checks drawn on the account had safeguards printed on them, such as "void in excess of 250 dollars" and "not valid after ninety (90) days," and were made payable to specific payees. In addition, the imprest fund account was reconciled on a monthly basis.

### **Controls over Inventory of Computers and Electronic Equipment Were Adequate**

Our physical inventory of computers and electronic equipment determined that OCB has adequate controls over its inventory records.

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. Directive #1 requires that detailed records be maintained for all assets. OCB indicated in its 2006 Comptroller's Directive #1 Financial Integrity Statement filing that these records are maintained.

We received a computer and electronic equipment inventory listing on October 24, 2007, and another listing on October 25, 2007 from OCB officials. There were a total of 78 items on the combined lists. However, these lists did not have the OCB tag numbers identifying the items. We subsequently received another list on December 19, 2007,<sup>1</sup> which had the OCB tag numbers identifying the items. The December list also identified 5 items (two printers and three monitors) that should have been noted on the October lists. We selected a random sample of 21 and a judgmental sample of 16 of the total of 83 items on the October and December lists to perform a physical inventory. On January 3, 2008, we conducted a physical inventory and found all 37 items. We also conducted a walk-through of OCB offices to determine whether eleven

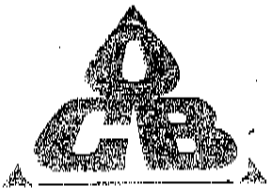
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<sup>1</sup> This list did not identify five items (a camera, a portable air conditioner, and three leased items) that had been identified on the October 2007 lists. However, the five items were found during our January 3, 2008 walk-through.

computers and other electronic items were included on OCB's inventory lists. However, during our walk-through, we found one of the eleven items, a computer monitor being stored for disposal, that was not included on any of the lists we received. OCB officials stated that it was an oversight. This item was subsequently added to the inventory list.

### **Recommendation**

Since we found no material weakness in OCB's procurement practices, we make no recommendations in this report.



## OFFICE OF COLLECTIVE BARGAINING

40 Rector Street, 7th Floor  
New York, N.Y. 10006  
(212) 306-7160  
FAX (212) 306-7167

### IMPARTIAL MEMBERS

MARLENE A. GOLD, CHAIR  
GEORGE NICOLAU  
CAROL A. WITTENBERG

### DEPUTY CHAIRS

STEVEN C. DECOSTA  
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M. DAVID ZURNDORFER

### LABOR MEMBERS

CHARLES G. MOERDLER  
GABRIELLE SEMEL

March 20, 2008

Mr. John Graham  
Deputy Comptroller  
Audits, Accountancy & Contracts  
1 Centre Street, Room 530  
New York, NY 10007-2341

RE: DRAFT REPORT  
Audit Report on the Procurement  
Practices of the Office of Collective  
Bargaining  
ME08-061A

Dear Mr. Graham:

I acknowledge and accept the findings contained in the above referenced draft audit report, dated March 18, 2008.

Please express our gratitude to your audit team for their professionalism and courtesy used in the conduct of this audit. If you or your audit team have any further questions, please let me know. Thank you.

Very truly yours,

Marlene A. Gold  
Chairperson/Director

c: James Bradley, Audit Manager