

City of New York

OFFICE OF COMPTROLLER

Scott M. Stringer
COMPTROLLER



AUDITS AND SPECIAL REPORTS

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Deputy Comptroller for Audit

Audit Report on the Purchasing
Practices of the Office of the Public
Advocate

SR18-121A

May 13, 2019

<http://comptroller.nyc.gov>



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
SCOTT M. STRINGER

May 13, 2019

To the Residents of the City of New York:

My office has audited the Office of the Public Advocate of the City of New York (PAO) to determine whether the PAO maintains adequate financial controls over purchasing practices for Other Than Personal Service (OTPS) expenditures as required by the City's Procurement Policy Board (PPB) rules and the Comptroller's Directives.

The audit found the PAO has generally implemented financial controls over its purchasing practices, as required by the PPB rules and applicable Comptroller's Directives. However, the audit revealed instances of the PAO's noncompliance with certain aspects of those requirements. Specifically, for six of the seven out-of-town trips we reviewed, the PAO did not require its staff to submit requests for travel approval prior to making the travel arrangements; for five of the trips, the PAO also processed payments for hotel lodging that exceeded the maximum allowable General Services Administration (GSA) rates; and for one trip, the PAO incorrectly paid hotel occupancy and sales tax for its staff's lodging within New York State, all of which was contrary to Comptroller's Directive #6, *Travel, Meals, Lodging, and Miscellaneous Agency Expenses*. In addition, in reviewing the PAO's records of certain expenses incurred for the Public Advocate's individual travel and lodging, we found no evidence that Comptroller's Directive #6 had been used as a guide, which is the use the directive prescribes for certain elected officials, including the Public Advocate, who are not personally restricted by its requirements. We also found that the PAO charged the incorrect budget object code for 38 purchases totaling \$26,774 and did not always record Imprest Fund account transactions or maintain the account checkbook in accordance with the standards established by Comptroller's Directive #3, *Administration of Imprest Funds*.

The audit makes 11 recommendations, including that the PAO should ensure that properly- and timely-completed Requests for Approval for staff's out-of-town travel are obtained prior to travel commencing and that the approvals are documented in the appropriate travel expense records before approving payment of staff's expenses related to travel and conference-attendance; use Comptroller's Directive #6 as a guide on the travel expenses related to the Public Advocate; ensure that OTPS purchases are charged to the correct object code in accordance with Comptroller's Directive #24, *Agency Purchasing Procedures and Controls*; and ensure that all Imprest Fund purchases are made and recorded in accordance with Comptroller's Directive #3 and have adequate supporting documentation.

The results of the audit have been discussed with PAO officials, and their comments have been considered in preparing this report. The PAO's complete written response is attached to this report. If you have any questions concerning this report, please e-mail my Audit Bureau at audit@comptroller.nyc.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Scott M. Stringer".

Scott M. Stringer

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THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER AUDITS AND SPECIAL REPORTS

Audit Report on Purchasing Practices of the Office of the Public Advocate

SR18-121A

EXECUTIVE SUMMARY

The Public Advocate is an elected official of the City, chosen in a City-wide election for a four-year term. The Public Advocate is responsible for reviewing and investigating complaints about City services; assessing whether agencies are responsive to the public; recommending improvements in agency programs and complaint-handling procedures; and serving as an intermediary for individuals who have encountered difficulties in obtaining assistance from City agencies. The Public Advocate also monitors the effectiveness of the City's public information and education efforts and the compliance of City officers and agencies with the New York City Charter.¹

To carry out the responsibilities of the office, the Public Advocate is provided with City office space and a budget appropriation to support staff and to cover the expenses of operating the office. For Fiscal Year 2017, the Public Advocate's Office (PAO) reported total expenditures of \$3.5 million, consisting of \$3.3 million for Personal Service (PS) expenses for the salaries, wages, and fringe benefits for the PAO's 45 full-time City employees, and \$248,563 for Other Than Personal Service (OTPS) expenses, which covered the procurement of supplies, materials, and services necessary to support agency operations.

We conducted this audit to determine whether the PAO maintains adequate financial controls over purchasing practices for the OTPS expenditures as required by the City's Procurement Policy Board (PPB) rules and the Comptroller's Directives.

Audit Findings and Conclusion

The PAO has generally implemented financial controls over many aspects of its purchasing practices, as required by the PPB rules and applicable Comptroller's Directives. However, the audit revealed instances of the PAO's noncompliance with certain aspects of those requirements. Specifically, for six of the seven out-of-town trips we reviewed, the PAO did not require its staff to submit requests for travel approval prior to making the travel arrangements; for five of the trips,

¹ NYC Charter §24 establishes the term of office and sets forth the duties of the Public Advocate. The section also establishes election procedures to fill any vacancy in the office that occurs before the expiration of the elected Public Advocate's four-year term.

the PAO also processed payments for hotel lodging that exceeded the maximum allowable General Services Administration (GSA) rates; and for one trip, the PAO incorrectly paid hotel occupancy and sales tax for its staff's lodging within New York State, all of which was contrary to Comptroller Directive #6, *Travel, Meals, Lodging, and Miscellaneous Agency Expenses*. In addition, in reviewing the PAO's records of certain expenses incurred for the Public Advocate's individual travel and lodging, we found no evidence that Comptroller's Directive #6 had been used as a guide, which is the use the directive prescribes for certain elected officials, including the Public Advocate, who are not personally restricted by its requirements. We also found that the PAO charged the incorrect budget object code for 38 purchases totaling \$26,774 and did not always record Imprest Fund account transactions or maintain the account checkbook in accordance with the standards established by Comptroller's Directive #3, *Administration of Imprest Funds*.

Audit Recommendations

The audit resulted in 11 recommendations, specifically, that the PAO should:

- Ensure that properly- and timely-completed Requests for Approval for staff's out-of-town travel are obtained prior to travel commencing and that the approvals are documented in the appropriate travel expense records before approving payment of staff's expenses related to travel and conference-attendance.
- Obtain proper approval from PAO management before approving or paying a lodging charge for an employee at a rate that exceeds the applicable United States General Services Administration (GSA) rate.
- Ensure that the Tax Exemption Certificates are prepared and provided for the PAO's staff lodging within New York State.
- Use Comptroller's Directive #6 as a guide on the travel expenses related to the Public Advocate.
- Ensure that OTPS purchases are charged to the correct object code in accordance with Comptroller's Directive #24, *Agency Purchasing Procedures and Controls*.
- Use a Reimbursement Voucher only to reimburse (replenish) an Imprest Fund account.
- Ensure that all Imprest Fund purchases are made and recorded in accordance with Comptroller's Directive #3 and have adequate supporting documentation.
- Ensure that the next order of check stock states on the face of the checks that they are void after a specified period of time. This time period should not extend more than 180 days from the date of issue according to Directive #3.
- Follow up on the checks that remain outstanding more than 60 days.
- Ensure that all invoices and supporting documentation in the Imprest Fund account are appropriately marked as paid in accordance with Comptroller's Directive #3, §4.5 to prevent duplicate payments.
- Perform and record monthly bank reconciliations and ensure that the reconciliations disclose the voided checks, include the first and last check numbers issued during the month, and age outstanding checks showing the date issued in accordance with Comptroller's Directive #3, §4.1.

Agency Response

The PAO agreed with the report's findings and recommendations and has adopted necessary procedures to implement the recommendations.

AUDIT REPORT

Background

The Public Advocate is an elected official of the City, chosen in a City-wide election for a four-year term. The Public Advocate reviews and investigates complaints about City services; assesses whether agencies are responsive to the public; recommends improvements in agency programs and complaint-handling procedures; and serves as an intermediary for individuals who have encountered difficulties in obtaining assistance from City agencies. The Public Advocate also monitors the effectiveness of the City's public information and education efforts and the compliance of City officers and agencies with the New York City Charter.

To carry out the responsibilities of the office, the Public Advocate is provided with City office space and a budget appropriation to support staff and to cover the expenses of operating the office. For Fiscal Year 2017, the PAO reported total expenditures of \$3.5 million, consisting of \$3.3 million for PS expenses for the salaries, wages, and fringe benefits of the PAO's 45 full-time City employees, and \$248,563 for OTPS expenses, which covered the procurement of supplies, materials, and services necessary to support agency operations.²

In accordance with the City Charter, Administrative Code, and Rules of the City of New York, the Mayor, the Comptroller, and various oversight agencies have established rules and regulations to standardize administrative, financial, and management procedures across all City agencies. The City's PPB promulgates rules governing City procurement and contracts. The Comptroller's Internal Control and Accountability Directives (Comptroller's Directives) contain rules and regulations that cover a broad array of management issues, internal controls, and procedures important to the efficient and effective operation of City agencies. All City agencies and elected officials are expected to comply with these rules and regulations.

Objective

To determine whether the PAO maintains adequate financial controls over purchasing practices for the OTPS expenditures as required by the City's PPB rules and the Comptroller's Directives.

Scope and Methodology Statement

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 of this audit covers the period from July 1, 2016 through March 30, 2018.

² According to the Comptroller's *Comprehensive Annual Financial Report for Fiscal Year 2017*.

Discussion of Audit Results

The findings in this report were discussed with PAO officials during and at the conclusion of this audit. A preliminary draft report was sent to the PAO and was discussed at exit conference held on February 11. Due to a change in the PAO administration, an additional exit conference was held on April 22, 2019 for the new administration. On April 23, 2019, we submitted a draft report to PAO officials with a request for comments. We received a written response from the PAO dated May 6, 2019. In its response, the PAO agreed with the report's findings and recommendations and said it has "adopted necessary procedures" to implement the recommendations. The PAO's response further stated, "[w]e would like to thank the Office of the Comptroller for the professional manner in which they conducted this audit and their consciousness of the unique circumstance surrounding the timing of this response, considering Public Advocate Williams' election to the Office of Public Advocate after this audit had begun of practices and procedures of the Office during his predecessor's tenure."

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

FINDINGS AND RECOMMENDATIONS

The PAO has generally implemented financial controls over many aspects of its purchasing practices, as required by the PPB rules and applicable Comptroller's Directives. However, the audit revealed instances of the PAO's noncompliance with certain aspects of those requirements. Specifically, for six of the seven out-of-town trips we reviewed, the PAO did not require its staff to submit requests for travel approval prior to making the travel arrangements; for five of the trips, the PAO also processed payments for hotel lodging that exceeded the maximum allowable General Services Administration (GSA) rates; and for one trip, the PAO incorrectly paid hotel occupancy and sales tax for its staff's lodging within New York State, all of which was contrary to Comptroller Directive #6, *Travel, Meals, Lodging, and Miscellaneous Agency Expenses*. In addition, in reviewing the PAO's records of certain expenses incurred for the Public Advocate's individual travel and lodging, we found no evidence that the Comptroller's Directive #6 had been used as a guide, which is the use the directive prescribes for certain elected officials, including the Public Advocate, who are not personally restricted by its requirements. We also found that the PAO charged the incorrect budget object code for 38 purchases totaling \$26,774 and did not always record Imprest Fund account transactions or maintain the account checkbook in accordance with the standards established by Comptroller's Directive #3, *Administration of Imprest Funds*. These matters are discussed in greater detail in the sections that follow in this report.

Noncompliance with the Comptroller Directive #6, *Travel, Meals, Lodging, and Miscellaneous Agency Expenses*

The PAO lacked the required advance approval for six of the seven trips we reviewed, before it incurred the associated expenses, totaling \$9,089, for its staff members' out-of-town travel for conferences.³ Instead, the PAO's records indicate that those expenses were submitted and approved for payment only after the trips had occurred. Comptroller's Directive #6, at sections 2 and 16, stipulates that City employees who travel must request approval for the proposed travel, and that written approval explaining the nature and agency purpose of the trip, the dates of travel, and an estimate of the cost, must be signed by the agency head or his or her designee, "[w]herever practicable . . . prior to the incurrence of the cost." Accordingly, in general, the PAO should not pay or incur expenses for staff travel and conferences before obtaining the required approval from the designated authorizing official(s). Payments made and expenses incurred without the required approvals or with approvals granted after the fact reflect poor internal controls and expose the agency to a heightened risk of misuse of City funds. Moreover, as described below, the PAO incurred and paid ineligible expenses for most of the trips in question—a situation that could have been avoided had the information that Directive #6 specifies concerning the trips and their estimated expenses been reviewed and approved in advance.

The PAO improperly processed lodging payments for PAO staff that exceeded maximum allowable rates. Of the seven out-of-town trips, we found five trips in which the PAO's payments for employees' hotel lodging exceeded the maximum allowable GSA rates.⁴ Comptroller's Directive #6, §5.6.3, *Lodging Rates* states that "[e]mployees lodging at domestic or foreign destinations will be reimbursed at the rates established by the U.S. government for federal travelers. The federal per diem schedules indicate the maximum lodging rates that will be paid.

³ This sum consists of the travel expenses of PAO staff members, not expenses incurred for the Public Advocate's travel, which are discussed separately below.

⁴ The GSA establishes the per diem rates for destinations within the continental United States.

By exceeding the applicable maximum rates for lodging, the PAO improperly paid \$1,664 in excess expenses.

In addition, the PAO incorrectly paid hotel occupancy and sales taxes on one of the seven trips. The lodging expense was within New York State and resulted in an overpayment of \$106. According to Comptroller's Directive #6, §2.7, *Exclusion of Sales Taxes*, "The City of New York is exempt from paying the New York State Sales Tax," and the directive, at §5.6.3, *Lodging Rates*, states that "[e]mployees lodging within New York State are exempt from hotel occupancy taxes." To qualify for the exemptions, the PAO's staff must present a Tax Exemption Certificate for Tax on Occupancy of Hotel Rooms or an exemption request on agency letterhead indicating that the named employee is conducting official business and is exempt from these taxes.

We also reviewed certain travel and lodging expenses incurred by the Public Advocate individually to determine whether Comptroller's Directive #6 was used as a guide. The directive, at sections 15-15.1, states that four elected officials with City-wide responsibility, including the Public Advocate, are accountable for the prudent use of public funds but are not "personally" restricted by the regulations of the directive. Rather, the directive states that it should be used to guide those officials, with the proviso that the responsibilities of their offices warrant wide latitude and flexibility. Accordingly, we reviewed the sampled expenses that the Public Advocate incurred individually to determine whether the records contained or reflected evidence that the directive had been used as a guide.

In the following instances of expenses incurred by the Public Advocate individually, between February 2017 and February 2018, we found no evidence that the guidance provided by Directive #6 was followed or considered:

- In three out of four trips we reviewed, the PAO's payments for the Public Advocate's hotel lodging exceeded the maximum allowable GSA rates by a total of \$402.
- In one instance, the Public Advocate incurred an overnight lodging expense within the boundaries of New York City on October 28, 2017 that included \$39 paid for occupancy tax and sales tax. Although we found no documentation explaining the need for this hotel stay, the PAO's General Counsel stated that "the Public Advocate made a determination due to exigent circumstances (number of work hours, late hours, and security considerations) the determination was that the reservation at the Marriott was required in the best interest of the city."
- The Public Advocate purchased airplane tickets with extra legroom and with preferred seating on two of the four out-of-town trips in our sample. According to Comptroller's Directive #6, §5.5.5, *Airline*, "[t]he incremental cost of business class, first class and economy plus, or similar upgrades is not reimbursable." The extra cost of these upgrades was an additional \$94.

Incorrect Object Codes Charged

The PAO used 404 payment vouchers to pay vendors a total of \$285,268 from July 1, 2016 through March 30, 2018. The 404 payment vouchers had 542 commodity line items representing 542 individual purchases of goods or services.

We found that the PAO charged incorrect object codes for 38 out of 542 commodity line items in the Financial Management System (FMS), the City's centralized accounting and budgeting system, totaling \$26,774. For example, five purchases for food were charged to object code 1000

as “Supplies and Material - General,” instead of object code 1100 as “Food & Forage Supplies”. In another example, 13 purchases for newspaper subscriptions were charged to object code 4030 as “Office Services”, instead of object code 3370 as “Books-Other”.

Comptroller’s Directive #24, *Agency Purchasing Procedures and Controls*, §6.0, states, “Payment Voucher approvers must ensure that the appropriate accounting and budget codes are being charged. This includes charging the correct unit of appropriation and correct object code within that unit of appropriation.”

The purchases charged to the incorrect object codes prevent the PAO from accurately categorizing the type and amount of a particular expense item during the fiscal year. This can compromise the management’s ability to plan future budgets.

Improper Use of Reimbursement Voucher

The PAO improperly used two of the nine Reimbursement Vouchers issued during July 1, 2016 through March 30, 2018. The two vouchers, totaling \$2,709, were used to reimburse the PAO’s staff for business travel and professional license registration fees. Both payments were paid directly to the employees. Comptroller’s Directive #24, §6.2, states that “[a]gencies use the Reimbursement Voucher to reimburse (replenish) an Imprest Fund account.” Therefore, these purchases violated Comptroller’s Directive #24. Further, Comptroller’s Directive #24, §6.0, states that, “Payment Voucher approvers must ensure that: the correct voucher type is being used.” Not accurately accounting for expenses can compromise management’s ability to plan future budgets.

Reimbursement without Supporting Documentation

We randomly selected 11 disbursements totaling \$675 from the 57 disbursements totaling \$4,224 shown on the Imprest Fund bank account statements covering July 1, 2016 through March 30, 2018, to test for accuracy and adequate record keeping. We found that reimbursements for 3 of the 11 sampled transactions, totaling \$165, were made without submission of the original receipt. Additionally, we found that two of the three transactions, totaling \$120, were not recorded in the City’s FMS or in the Imprest Fund disbursement journal.

Comptroller’s Directive #3, *Administration of Imprest Funds*, §4.1, states that an Imprest Fund disbursement Journal must be maintained and that it should include information such as, “Dollar Amount, Check Number and Check Date.” Further, Comptroller’s Directive #3, §4.2, states, “[t]he maintenance of complete and accurate supporting documentation is important in an Imprest Fund environment. Agencies must ensure that adequate files exist in full support of each Imprest Fund transaction.” According to Comptroller’s Directive #1 effective internal controls over the financial activities at an agency is the foundation for ensuring the reliability of the City’s accounting systems and financial reporting.

Noncompliance with Comptroller’s Directive #3 Checkbook Maintenance Standards

We found some areas where the PAO is not in compliance with Comptroller’s Directive #3, *Administration of Imprest Funds*, Operating Procedures and Internal controls as it relates to Bank Account and Checkbook Maintenance.

The PAO did not put the length of time that a check is valid on the face of their checks. According to Directive #3, “checks should state on their face that they are void after a specified period.” In addition the PAO did not follow up on one check that remained outstanding more than 180 days, as required. Comptroller’s Directive #3 states, “[w]hen checks, regardless of dollar amount, remain outstanding more than sixty days, agencies must commence a follow-up.”

Comptroller’s Directive #3 states that all invoices, receipts, or supporting documentation must be hand stamped or annotated to show the dollar amount paid, check number, and date to prevent making duplicate payments. We found that the invoices and supporting documentation for the 11 sampled Imprest Fund transactions were not hand stamped or annotated to show the dollar amount paid, check number, and date.

In addition, required information as per the Comptroller’s Directive, was not included on the monthly bank reconciliations. Specifically, the PAO did not disclose the voided checks, the first and last check numbers issued during the month, and the outstanding checks were not aged showing the date issued on its monthly bank reconciliation, all of which should be listed according to Comptroller’s Directive #3. According to Comptroller’s Directive #1, effective internal controls over the financial activities at an agency is the foundation for ensuring the reliability of the City’s accounting systems and financial reporting.

Recommendations

The PAO should:

1. Ensure that properly- and timely-completed Requests for Approval for staff's out-of-town travel are obtained prior to travel commencing and that the approvals are documented in the appropriate travel expense records before approving payment of staff's expenses related to travel and conference-attendance.

PAO Response: "Per briefing materials prepared by the prior administration, office travel at the time was authorized and processed only after the Chief of Staff and/or Head of Agency determined that travel was occurring. Once the decision was made, travel arrangements were coordinated and receipts and pertinent information maintained. PAO agrees with the Comptroller's findings and has adopted necessary procedures to implement the recommendation."

2. Obtain proper approval from PAO management before approving or paying a lodging charge for an employee at a rate that exceeds the applicable GSA rate.

PAO Response: "Comptroller's Directive #6, 5.6.3 Lodging Rates-Part IV: Special Provisions for Elected and Appointed Officials, 15.1 states that the Public Advocate is not personally restricted by the regulations of this Directive. While the Directive should be used to guide the Public Advocate, the responsibilities of their offices warrant wide latitude and flexibility. Per briefing materials prepared by the prior administration, in the instances outlined in this audit such as lodging and travel maximum allowable rates permitted, in each case decisions were judiciously based on what was safer and time effective for the prior Public Advocate in the performance of her official duties and her accompanying staff. PAO agrees with the Comptroller's findings and has adopted necessary procedures to implement the recommendation."

3. Ensure that the Tax Exemption Certificates are prepared and provided for the PAO's staff lodging within New York State.

PAO Response: "PAO agrees with the Comptroller's findings and has adopted necessary procedures to implement the recommendation."

4. Use the Comptroller's Directive #6 as a guide on the travel expenses related to the Public Advocate.

PAO Response: "PAO agrees with the Comptroller's findings and is implementing necessary procedures that Office travel is handled appropriately by following Directive #6 guidelines."

5. Ensure that OTPS purchases are charged to the correct object code in accordance with Comptroller's Directive #24, *Agency Purchasing Procedures and Controls*.

PAO Response: "PAO accepts the recommendation and has been using the codes as recommended."

6. Use a Reimbursement Voucher only to reimburse (replenish) an Imprest Fund account.

PAO Response: "PAO agrees with the Comptroller's findings and has adopted necessary procedures to implement the recommendation."

7. Ensure that all Imprest Fund purchases are made and recorded in accordance with Comptroller's Directive #3 and have adequate supporting documentation.
PAO Response: "PAO is given to understand that under the prior administration, copies of receipts were accepted in order to secure some form of documentation on hand. Going forward, PAO will ensure all receipts submitted are originals."
8. Ensure that the next order of check stock states on the face of the checks that they are void after a specified period of time. This time period should not extend more than 180 days from the date of issue, according to Directive #3.
PAO Response: "The PAO recognizes that the checkbook used under the prior administration was not fully compliant with Directive #3. PAO will purchase a new checkbook with 'Voided after 60 days' language to come into compliance with the directive."
9. Follow up on the checks that remain outstanding more than 60 days.
PAO Response: "PAO agrees with the Comptroller's findings and has adopted necessary procedures to implement the recommendation."
10. Ensure that all invoices and supporting documentation in the Imprest Fund account are appropriately marked as paid in accordance with Comptroller's Directive #3, §4.5 to prevent duplicate payments.
PAO Response: "PAO recognizes that the 'paid' stamp used by the prior administration did not contain space to include additional information required by Directive #3 to prevent making duplicate payments, specifically: dollar amount paid, check number, and date. PAO has purchased a new stamp that includes this additional information to come into compliance with the Directive."
11. Perform and record monthly bank reconciliations and ensure that the reconciliations disclose the voided checks, include the first and last check numbers issued during the month, and age outstanding checks showing the date issued in accordance with Comptroller's Directive #3, §4.1.
PAO Response: "PAO recognizes that the cover sheet for monthly bank reconciliations used by the prior administration did not include the complete information necessary to comply with Directive #3. PAO has revised the existing cover sheet to ensure all necessary information is properly notated, including voided checks, and first and last check numbers issued. PAO will also review outstanding checks according to date issued."

DETAILED 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 of this audit covers the period from July 1, 2016 through March 30, 2018, regarding the PAO's OTPS purchasing practices.

To achieve our audit objective, we reviewed the following documents to obtain an understanding of the procedures and regulations with which the PAO is required to comply:

- PPB rule §1-04, "Contract Information"; §3-08, "Small Purchases"; and §4-06, "Prompt Payment";
- Comptroller's Directive #1, *Principles of Internal Controls*; Directive #3, *Procedures for the Administration of Imprest Funds*; Directive #6, *Travel, Meals, Lodging and Miscellaneous Agency Expenses*; and Directive #24, *Purchasing Function – Internal Controls*; and
- Comptroller's "Fiscal Year-End Closing Instruction" for June 30, 2017.

To obtain an understanding of the PAO's purchasing procedures, we conducted a walk-through of the purchasing process and interviewed PAO officials. We requested the PAO's written policies and procedures and flowcharts pertaining to purchasing areas. However, the PAO officials informed us that they do not have written policies and they comply with the Comptroller's Directives.

To determine the number of payment transactions that the PAO processed in our scope period, we requested that the PAO provide us with a listing of all Purchase Documents. PAO officials provided us with the Budget Inquiry Reports for July 1, 2016 through March 30, 2018. We identified the Disbursement Document Identification Number and the total dollar amount of the disbursement transactions for the period. The Budget Inquiry Report includes the actual disbursement per transaction but it does not include the details associated with each disbursement such as the corresponding Purchase Order Document and Payment Request Document.

To assess the reliability of the information contained in the Budget Inquiry Report, we generated and obtained the *Expense Accounting Detail Listing – Payment Requests* report from the City's FMS. We compared the Disbursement Document ID and the dollar amount on the Budget Inquiry Reports to the FMS Detail Listing for verification of the amount disbursed and obtained the corresponding Purchase Order Document and Payment Request Document.

The OTPS funds for the scope period, totaling \$285,268, were expended using 404 payment vouchers for the purchase of goods and services. We segregated the 404 payment vouchers into four categories: (1) 47 payment vouchers of less than \$100; (2) 333 payment vouchers of \$100

and greater; (3) 9 payment vouchers payable to the PAO to replenish the Imprest Fund account; and (4) 15 miscellaneous vouchers. Based on materiality, we excluded from testing the 47 payment vouchers, totaling \$2,690, for purchases of less than \$100.

We selected 50 of the 333 payment vouchers over \$100. Thirty of the payment vouchers, totaling \$23,794, were randomly selected. The remaining 20 vouchers, totaling \$29,317, were judgmentally selected: 17 payment vouchers related to two City vendors cited for split purchasing in a previous audit entitled *Audit Report on the Purchasing and Inventory Practices of the Office of the Public Advocate*, MJ07-103A issued June 29, 2007; and 3 payment vouchers were for a vendor that had a single payment that exceeded \$5,000. Finally, we selected all 9 payment vouchers payable to the PAO and 15 miscellaneous vouchers for testing.

We requested the supporting documentation (i.e., purchase requisitions, purchase order, order specifications, receiving documents, and invoices) for the 50 sampled payment vouchers and 15 miscellaneous vouchers. The vouchers and supporting documentation for each of the sampled transactions were examined to ensure that: (1) required purchasing documents were appropriately prepared and approved; (2) goods or services were certified as received; (3) payments were appropriately authorized, made promptly in the correct amount to the correct vendor; (4) the expenditures were for legitimate and necessary business purposes; (5) payments were made to the vendor within 30 days after the invoice was received in accordance with §4-06(c)(2) of the PPB rules; and (6) all the Imprest Fund supporting documentation (invoices and receipts) showed the amount paid, check number and date in order to prevent duplicate payments.

Specifically to determine whether expenses for travel and hotel arrangements were reasonable, properly authorized and approved, and included the justification for travel, we reviewed the relevant supporting documentation, such as travel card bank statements, airline and hotel booking confirmation, and receipts for expenses, for all seven travel card payment vouchers totaling \$11,923.

To determine whether the PAO used the correct FMS Purchasing Documents for OTPS purchases, we reviewed the dollar amounts and corresponding purchase documents on FMS Detail Listing Reports to see if the PAO complied with applicable Comptroller's Directives and PPB rules.

To determine whether all purchases were charged to the correct object codes, we reviewed the purchases made by the PAO in FMS to obtain the description of the item or service purchased and the object code used and compared it to the list of all object codes and their descriptions available in FMS.

To test the Imprest Fund account and related transactions, we reviewed the 9 payment vouchers that were used to reimburse the Imprest Fund for 57 Imprest Fund transactions totaling \$4,224. We randomly selected 11 transactions totaling \$675. In order to determine whether account transactions were handled appropriately, relevant supporting documentation was examined to determine whether the expenditures were authorized, permissible, and within allowed amounts. We also reviewed the bank statements, daily disbursement journal, and monthly bank reconciliation statements to ensure that the bank reconciliations were performed, and had all the required information, all checks were accounted for, and were made payable to specified payees (not to "bearer" or "cash"), and all the transactions were recorded as set forth in Comptroller's Directive #3.

Although the results of the above tests cannot be projected to the entire population of purchases, they provided us a reasonable basis to assess the PAO's compliance with the above-mentioned City purchasing guidelines.



PUBLIC ADVOCATE FOR THE CITY OF NEW YORK
Jumaane D. Williams

May 6, 2019

BY HAND

Marjorie Landa
Deputy Comptroller for Audit
Office of the Comptroller
1 Centre Street RM 1100
New York, NY 10007

**Re: Agency Response to Audit Report on Purchasing Practices of
the Office of the Public Advocate
Audit Number: SR18-121A**

Dear Deputy Comptroller Landa:

Thank you for the opportunity to review and respond to the findings and recommendations in the most recent draft of your Audit of the Purchasing Practices of the Office of the Public Advocate (SR18-121A). We would like to thank the Office of the Comptroller for the professional manner in which they conducted this audit and their consciousness of the unique circumstance surrounding the timing of this response, considering Public Advocate Williams' election to the Office of Public Advocate after this audit had begun of practices and procedures of the Office during his predecessor's tenure.

A unique challenge facing the present Public Advocate's Office (PAO) at this time is conducting a transition between administrations in the middle of a term of office. This places PAO in a position of working to execute Office operations at a level commensurate with a fully-staffed office while simultaneously hiring necessary personnel to meet that mark. To that end, it would be helpful to remain in contact with the Comptroller's Office through this period as new staff comes on board, to more readily answer questions or receive guidelines as necessary.

In conversation with the Comptroller's office, it was stated that the response to the audit draft should only address the recommendations. Accordingly, the PAO response is enclosed.

If you have any questions regarding this response, please contact Ms. Josenia Dominguez, Office Manager, at 212-669-4120.

Attachment
C: Lawrence Welgrin, assistant Director



PUBLIC ADVOCATE FOR THE CITY OF NEW YORK
Jumaane D. Williams

RECOMMENDATION #1: Per briefing materials prepared by the prior administration, office travel at the time was authorized and processed only after the Chief of Staff and/or Head of Agency determined that travel was occurring. Once the decision was made, travel arrangements were coordinated and receipts and pertinent information maintained.

PAO agrees with the Comptroller's findings and has adopted necessary procedures to implement the recommendation.

RECOMMENDATION #2: Comptroller's Directive #6, 5.6.3 Lodging Rates – Part IV: Special Provisions for Elected and Appointed Officials, 15.1 states that the Public Advocate is not personally restricted by the regulations of this Directive. While the Directive should be used to guide the Public Advocate, the responsibilities of their offices warrant wide latitude and flexibility.

Per briefing materials prepared by the prior administration, in the instances outlined in this audit such as lodging and travel maximum allowable rates permitted, in each case decisions were judiciously based on what was safer and time effective for the prior Public Advocate in the performance of her official duties and her accompanying staff.

PAO agrees with the Comptroller's findings and has adopted necessary procedures to implement the recommendation.

RECOMMENDATION #3: PAO agrees with the Comptroller's findings and has adopted necessary procedures to implement the recommendation.

RECOMMENDATION #4: PAO agrees with the Comptroller's findings and is implementing necessary procedures that Office travel is handled appropriately by following Directive #6 guidelines.

RECOMMENDATION #5: PAO accepts the recommendation and has been using the codes as recommended.

RECOMMENDATION #6: PAO agrees with the Comptroller's findings and has adopted necessary procedures to implement the recommendation.

RECOMMENDATION #7: PAO is given to understand that under the prior administration, copies of receipts were accepted in order to secure some form of documentation on hand. Going forward, PAO will ensure all receipts submitted are originals.

RECOMMENDATION #8: The PAO recognizes that the checkbook used under the prior administration was not fully compliant with Directive #3. PAO will purchase a new checkbook with "Voided after 60 days" language to come into compliance with the directive.



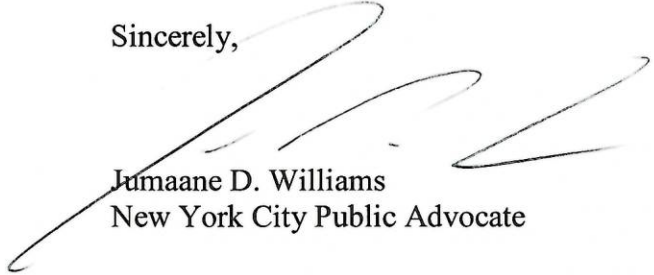
PUBLIC ADVOCATE FOR THE CITY OF NEW YORK
Jumaane D. Williams

RECOMMENDATION #9: PAO agrees with the Comptroller's findings and has adopted necessary procedures to implement the recommendation.

RECOMMENDATION #10: PAO recognizes that the "paid" stamp used by the prior administration did not contain space to include additional information required by Directive #3 to prevent making duplicate payments, specifically: dollar amount paid, check number, and date. PAO has purchased a new stamp that includes this additional information to come into compliance with the Directive.

RECOMMENDATION #11: PAO recognizes that the cover sheet for monthly bank reconciliations used by the prior administration did not include the complete information necessary to comply with Directive #3. PAO has revised the existing cover sheet to ensure all necessary information is properly notated, including voided checks, and first and last check numbers issued. PAO will also review outstanding checks according to date issued.

Sincerely,



Jumaane D. Williams
New York City Public Advocate