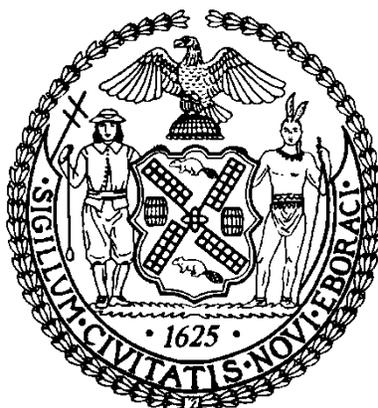


**CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER**

**John C. Liu  
COMPTROLLER**

**MANAGEMENT AUDIT**

**Tina Kim  
Deputy Comptroller for Audit**



**Audit Report on the Procurement  
Practices of the New York City  
Board of Elections**

*MJ11-066A*

**December 23, 2011**

<http://www.comptroller.nyc.gov>



THE CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
1 CENTRE STREET  
NEW YORK, N.Y. 10007-2341

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John C. Liu  
COMPTROLLER

December 23, 2011

**Dear Residents of the City of New York:**

My office has audited the Board of Elections' (BOE) procurement practices to determine whether they comply with applicable City rules and regulations. We audit City agencies' procurement practices as a means of ensuring that the agencies effectively comply with citywide procurement rules and regulations.

The audit determined that, except for some minor exceptions, BOE's procurement practices complied with key provisions of applicable City rules and regulations, including Comptroller's Directives #1, #6, and # 24, and Procurement Policy Board (PPB) Rules. The minor exceptions noted include that BOE incorrectly used miscellaneous vouchers to pay for goods and services that should have been purchased on standard vouchers. Additionally, BOE incorrectly paid one vendor \$1,352 for some excessive charges.

To address these weaknesses, the audit made two recommendations; that BOE should (1) limit the use of miscellaneous vouchers to those purchases in which the estimated or actual expenditures cannot be determined as per Comptroller's Directive #24, and (2) ensure that its staff closely reviews car service invoices and disallow charges for excessive wait time.

The results of the audit have been discussed with BOE officials, and their comments have been considered in preparing this report. Their complete written response is attached to this report.

If you have any questions concerning this report, please email my Audit Bureau at [audit@comptroller.nyc.gov](mailto:audit@comptroller.nyc.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "John C. Liu".

John C. Liu

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

**Audit Report on the Procurement Practices  
of the New York City Board of Elections**

**MJ11-066A**

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**AUDIT REPORT IN BRIEF**

The New York City Board of Elections (BOE) is responsible under New York State Election Law for all matters associated with voters and Election Day operations throughout the five boroughs of New York City.

In Fiscal Year 2010, BOE expended a total of \$95.7 million, consisting of \$68.7 million for Other than Personal Services (OTPS) expenditures, covering the procurement of supplies, materials, goods and services necessary to support agency operations and \$27 million in Personal Service (PS) expenditures.<sup>1</sup>

The objective of this audit was to determine whether BOE's procurement practices comply with applicable City rules and regulations (i.e., Comptroller's Directives #1, #6, and #24, and Procurement Policy Board Rules).

**Audit Findings and Conclusions**

With some minor exceptions, this audit determined that BOE's procurement practices complied with key provisions of applicable City rules and regulations, including Comptroller's Directives #1, #6, and # 24, and Procurement Policy Board (PPB) Rules. The minor exceptions we noted include that BOE incorrectly used miscellaneous vouchers to pay for goods and services that should have been purchased on standard vouchers. Additionally, we noted that BOE incorrectly paid one vendor \$1,352 for some excessive charges.

**Audit Recommendations**

The audit recommends that BOE (1) limit the use of miscellaneous vouchers to those purchases in which the estimated or actual expenditures cannot be determined as per Comptroller's Directive #24 and (2) ensure that its staff closely reviews car service invoices and disallow charges for excessive wait time.

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<sup>1</sup> According to the New York City Comptroller's Comprehensive Annual Financial Report for Fiscal Year 2010.

**Agency Response**

We received a written response from BOE officials on December 1, 2011. In their response, BOE officials agreed with the audit's findings and recommendations, stating that BOE has taken steps to ensure that it will use a purchase order-based payment method and has instituted a new after-hours transportation management procedure and monitoring system.

## INTRODUCTION

### Background

BOE is an administrative body of 10 Commissioners (two from each borough) appointed by the City Council upon the recommendation of the two major political parties. The Commissioners serve a term of four years. They appoint a bipartisan staff to oversee the daily activities of BOE's main office and five borough offices.

BOE is responsible under New York State Election Law for all matters associated with voters and Election Day operations throughout the five boroughs of New York City, including:

- Conducting voter outreach, education, registration, and notification;
- Maintaining and updating voter records;
- Processing and verifying candidate petitions and documents;
- Overseeing campaign finance disclosures of candidates and campaign committees;
- Recruiting, training, and assigning Election Day officers to conduct elections;
- Equipping and operating polling sites; and
- Canvassing and certifying the vote.

In Fiscal Year 2010, BOE expended a total of \$95.7 million, consisting of \$68.7 million for OTPS expenditures, covering the procurement of supplies, materials, goods and services necessary to support agency operations and \$27 million in PS expenditures.

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. Those applicable to agency procurement include: Comptroller's Directives #1, "Principles of Internal Controls," #6, "Travel, Meals, Lodging and Miscellaneous Agency Expenses," and #24, "Purchasing Function—Internal Controls." All City agencies, elected officials, and other governmental entities<sup>2</sup> are expected to comply with these rules and regulations unless otherwise provided by law.

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<sup>2</sup> As defined by Chapter 52, subdivision 1150 of the New York City Charter, an agency is any department, office, commission, board, etc. of the City whose operations are paid for out of the City treasury or out of monies assessed or collected by the City. This definition also includes entities in which the majority of its members are City officials or are appointed by City officials.

## **Objective**

The objective of this audit was to determine whether BOE's procurement practices comply with applicable City rules and regulations (i.e., Comptroller's Directives #1, #6, and #24, and PPB Rules).

## **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 our audit was July 1, 2009, through June 30, 2010. Please refer to the "Detailed Scope and Methodology" section at the end of this report for the specific procedures and tests that were conducted.

## **Discussion of Audit Results**

The matters in this report were discussed with BOE officials during and at the conclusion of this audit. A preliminary draft report was sent to BOE officials and discussed at an exit conference held on November 3, 2011. On November 16, 2011, we submitted a draft report to BOE officials with a request for comments. We received a written response from BOE officials on December 1, 2011. In their response, BOE officials agreed with the audit's findings and recommendations, stating that BOE has taken steps to ensure that it will use a purchase order-based payment method and has instituted a new after-hours transportation management procedure and monitoring system.

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

## **FINDINGS AND RECOMMENDATIONS**

With some minor exceptions, this audit determined that BOE's procurement practices complied with key provisions of applicable City rules and regulations, including Comptroller's Directives #1, #6, and # 24, and PPB Rules. The minor exceptions we noted include that BOE incorrectly used miscellaneous vouchers to pay for goods and services that should have been purchased on standard vouchers. Additionally, we noted that BOE incorrectly paid one vendor \$1,352 for some excessive charges. These matters are discussed in greater detail below.

### **BOE Generally Complied with Procurement Rules and Regulations**

Apart from some minor exceptions discussed later, BOE generally complied with the key requirements outlined in Comptroller's Directive #1, #6, and #24, as well as PPB rules #2-02, #3-08, and #4-06. Based on our review of a judgmentally selected sample of purchases and related documentation, we are reasonably assured that BOE has adequate controls over its procurement transactions. The results of our tests showed that BOE:

- Adequately segregated procurement tasks, including requisition, receipt of goods, recording, authorization, and payment responsibilities.
- Maintained adequate documentation to support payments.
- Appropriately prepared, approved, and coded purchase and payment documents.
- Received goods as ordered.
- Appropriately authorized payment of goods and services, promptly paid vendors the proper amount, on the appropriate voucher, and charged the transactions to the proper fiscal year.
- Appropriately excluded sales and excise taxes from payments.
- Conducted pre-solicitation reviews and obtained competitive bids when required.
- Did not artificially split purchase transactions to avoid bidding and contracting requirements.
- Expended funds for goods and services for legitimate and necessary business purposes.
- Duly canceled (marked "vouchered" or "paid") voucher packages upon payment.

Further, our review of support documentation for 150 sampled poll workers found that BOE had timesheets and other related documentation to support the attendance of the poll workers for the days for which they were paid. Also, BOE paid the workers the correct amounts based on their days of service, job title, and training attendance.<sup>3</sup>

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<sup>3</sup> Poll worker job titles include coordinator, inspector/poll clerk, interpreter, information clerk, and door clerk. Coordinators receive \$300 and poll workers receive \$200 for each Election event in addition to payments ranging between \$25 and \$100 for attending training and applicable bonuses to those who attend class, pass the exam, and work two election events (primary and general election).

### **Incorrect Use of Miscellaneous Vouchers**

Although BOE generally used miscellaneous payment vouchers appropriately, we found a number of instances in which they were used incorrectly.

Comptroller's Directive #24 states that miscellaneous vouchers are for limited use purposes and should be used "only when an estimated or actual future liability is not determinable, or a contract or a Purchase Document is not required or applicable." Examples of inappropriate uses of miscellaneous vouchers include payments for the purchase of supplies, equipment, postage, telephone service, monthly rent payment on lease or license agreements, or other uses for real property.

In Fiscal Year 2010, BOE used 109 miscellaneous payment vouchers totaling \$22.4 million. Our review found that while most were used appropriately, BOE incorrectly used 47 miscellaneous vouchers totaling \$177,982 to procure and pay for routine and ordinary expenses with estimable or measurable amounts, such as: employee welfare fund payments; cable, telephone, and data processing services; and training. These expenses would have been more appropriately processed using standard vouchers and Citywide Financial Management System (FMS) procedures. In addition, BOE used two miscellaneous vouchers totaling \$55,760 to pay for goods or services from another City agency rather than the more appropriate internal payment vouchers (inter-agency transfers).

Although the value of cited transactions were not material in relation to BOE's overall OTPS expenditures of \$68.7 million in Fiscal Year 2010, the incorrect use of miscellaneous vouchers may contribute to the distortion of the City's books of accounts by understating the City's outstanding obligations.

#### **Recommendation**

1. BOE should limit the use of miscellaneous vouchers to those purchases in which the estimated or actual expenditures cannot be determined in accordance with Comptroller's Directive #24.

**BOE Response:** BOE agreed, stating: "The Board of Elections has taken steps to ensure that we use a purchase order based payment method. The Board's procedures are periodically updated, and your recommendations have already been implemented as part of this process."

### **Paid Overcharges on Car Service Vendor Invoice**

Our review revealed that BOE paid one vendor \$1,352 for excessive and disallowed trip charges.

BOE maintains a contract with Arrow Car Service (Arrow) to provide after-hours transportation for BOE employees who work three or more hours of overtime. Under the

contract, Arrow provides car service transportation to BOE employees from BOE's borough offices and warehouses to destinations within the five boroughs. The contract specifically prohibits travel outside of the five boroughs. Further, the contract establishes that an assigned car must wait up to 15 minutes for the passenger at no charge. If after waiting 15 minutes, the passenger does not appear for pick-up, the vendor is permitted to charge 50 cents per minute for a maximum of 15 additional minutes (or \$7.50) of waiting time.

Our review of four of Arrow's invoices for Fiscal Year 2010 revealed that for 24 billed trips, Arrow overcharged BOE a total of \$1,352 in excess of the maximum waiting time charge of \$7.50 for each trip. For 11 of these trips alone, Arrow's waiting time charges ranged from \$49 to \$373.

### **Recommendation**

2. BOE should ensure that its staff closely reviews car service invoices and disallow charges for excessive wait time.

***BOE Response:*** BOE agreed, stating: "Prior to the release of the audit, the Board of Elections instituted a new after-hours transportation management procedure and monitoring system which addresses all the concerns stated in the audit. The Board believes that the new system will reduce expenditures by monitoring invoices and enforcing internal rules such as car pooling by zip code."

## 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 our audit was July 1, 2009, through June 30, 2010. To accomplish our objective, we performed the following procedures:

To familiarize ourselves with BOE's operation and available resources, we reviewed various reports, publications, and other relevant materials obtained from the BOE website and other sources. To gain an understanding of the internal controls over the procurement process, we reviewed BOE's self-assessment of its internal controls covering calendar year 2009, performed in compliance with New York City Comptroller's Directive 1. We also reviewed BOE's policies and procedures, interviewed key BOE officials and staff, conducted walk-throughs of procurement functions, and reviewed organization charts and flow diagrams of procurement transaction processes. We ascertained whether there was sufficient segregation of duties for related functions. We also reviewed BOE's chart of accounts and budget (object) codes. Further, we reviewed a previous audit of BOE conducted by the Comptroller's Office and noted findings and conditions in that audit that addressed matters relevant to this audit.<sup>4</sup>

We evaluated the adequacy of BOE's policies and procedures for procurement transactions and determined whether they generally conformed with provisions of applicable criteria, including:

- PPB rules §1-04, "Contract Information," §2-02, "Pre-solicitation Review," §3-02 "Competitive Sealed Bidding", §3-05 "Sole Source Procurement" §3-08, "Small Purchases," and §4-06, "Prompt Payment;"
- Comptroller's Directives #1, "Principles of Internal Controls" #6, "Travel, Meals, Lodging and Miscellaneous Agency Expenses and #24, "Purchasing Function—Internal Controls."

We obtained from the City's Financial Management System (FMS) a detailed data file of BOE's \$68.7 million OTPS procurement expenditures for Fiscal Year 2010. Using this file, we stratified transactions by vendor, object code, dates, and amounts, and analyzed the results. Based on these evaluations, we judgmentally selected 22 payment vouchers for compliance testing, representing \$16.3 million (24 percent) of BOE's Fiscal Year 2010 total OTPS

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<sup>4</sup> Office of the New York City Comptroller, *Audit Report on the Small Procurement Practices of the Board of Elections* (#MD03-066A, issued June 12, 2003).

expenditures. These targeted vouchers included high dollar value payments made to various payees (vendors) based on the goods or services provided and their total payment amounts.

For the sampled vouchers, we examined voucher packages and related supporting documentation (i.e., requisitions, purchase orders, delivery receipts, invoices, etc.) to determine whether BOE complied with the above stated audit criteria and to obtain reasonable assurance that:

- adequate documentation was maintained to support payments;
- required purchase documents were appropriately prepared, approved, and coded;
- goods or services were received as ordered;
- receiving documents matched the quantity and description of goods or services ordered and invoiced;
- payments were appropriately authorized, made promptly to the correct vendor (or payee) in the proper amount, on the appropriate voucher, and charged to the proper fiscal year;
- employee expense reimbursements were valid, adequately supported, and for acceptable out-of-pocket expenses;
- sales and excise taxes were properly excluded from payments;
- pre-solicitation reviews were conducted and competitive bids were obtained when required;
- expenditures were for legitimate and necessary business purposes; and
- documentation was duly canceled (marked “vouchered” or “paid”) upon payment.

To determine whether there was evidence of purchase transactions being artificially split (divided) to avoid PPB bidding and contracting requirements, we sorted BOE’s small procurement data by vendor and scanned the results to identify vendors with total payments of \$5,000 or more in Fiscal Year 2010 (a single purchase of more than \$5,000 requires competitive bidding). We judgmentally selected 21 payment vouchers, totaling \$ 29,815, from four targeted vendors and reviewed related voucher packages to determine whether a contract was in force, and if so, whether the transactions for those vendors were awarded in compliance with stated criteria. If no contract existed, we determined whether the multiple purchases should have been treated as a single transaction.

In regard to one sampled voucher, totaling \$14.0 million, paid to the Office of Payroll Administration (OPA) for the payment of poll workers<sup>5</sup>, to determine whether BOE paid poll workers the appropriate amounts and adequately supported such payments, we selected a random sample of 150 poll workers (30 from each of the five boroughs) from a list of 33,488 poll workers that worked in 2009 during either the Primary or Run-off election, or both. We visited BOE’s five borough offices where we reviewed election worker attendance records (i.e., timesheets) and related documentation. Based on the sampled workers election-day and training attendance, along with their related job assignment (i.e., inspector, poll clerk, interpreter, information clerk, or door clerk), we determined whether the workers were paid accurately.

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<sup>5</sup> BOE paid OPA \$21.6 million from OTPS funds for the remuneration of poll (election) workers, who were treated and paid as independent contractors and issued 1099 tax statements.

The results of the above tests, while not projected to their respective populations, provided a reasonable basis for assessing BOE's procurement practices.

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



JUAN CARLOS "J.C." POLANCO  
PRESIDENT

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SECRETARY

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## BOARD OF ELECTIONS

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EXECUTIVE DIRECTOR

DAWN SANDOW  
DEPUTY EXECUTIVE DIRECTOR

PAMELA GREEN PERKINS  
ADMINISTRATIVE MANAGER

November 30, 2011

Tina Kim, Deputy Comptroller for Audits  
Office of the Comptroller  
1 Centre Street, Room 1100  
New York, NY 10007

re: Audit Report on the Procurement Practices of the  
New York City Board of Elections MJ11-066A

Dear Ms. Kim:

I have been authorized and directed by the Commissioners of the Board of Elections in the City of New York to provide you with the following response to the above-referenced audit report:

### Response to recommendation #1

**The Board of Elections has taken steps to ensure that we use a purchase order based payment method. The Board's procedures are periodically updated, and your recommendations have already been implemented as part of this process.**

### Response to recommendation #2

**Prior to the release of the audit, the Board of Elections instituted a new after-hours transportation management procedure and monitoring system which addresses all the concerns stated in the audit. The Board believes that the new system will reduce expenditures by monitoring invoices and enforcing internal rules such as car pooling by zip code.**

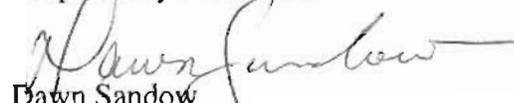
Concerning miscellaneous payments:

- The Board has directed that purchase orders be created for items previously paid by miscellaneous vouchers.
- Regarding inter-agency payments, before a payment is made, the Board will contact the applicable agency and request that the agency create an inter-agency purchase order. By undertaking these actions, the Board will make these payments using an inter-agency payment voucher, ensuring compliance with Comptroller's Directive #24.

Concerning car service waiting time:

- A computer tracking system has been established for the purpose of tracking after-hours transportation voucher information.
- After review by the management of each borough office, a dedicated contract manager in the Executive Office conducts an additional review of all invoices. By centralizing the review of all such invoices, the Board seeks to ensure that all charges for excess wait time are disallowed.

Respectfully submitted,



Dawn Sadow  
Deputy Executive Director