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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

November 21, 2013

RoAnn M. Destito  
Commissioner  
Office of General Services  
Corning Tower, 41st Floor  
Empire State Plaza  
Albany, NY 12242

Re: State Agency Small-Dollar Purchases  
Report 2013-F-25

Dear Commissioner Destito:

According to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of the Office of General Services (OGS) to implement the recommendations contained in our audit report, *State Agency Small-Dollar Purchases* (Report 2009-S-56 issued September 9, 2010).

**Background, Scope and Objective**

New York State offers procurement card (P-Card) services through a contract with Citibank. The Office of General Services (OGS) developed the contract and acts as the statewide program administrator and assists contract users in establishing or administering their accounts. State agencies use the P-Card to purchase commodities and services such as equipment, supplies and printing. The State's P-Card program was designed to be a more efficient and cost-effective way to expedite small-dollar purchases. In addition to potential cost savings from a more efficient purchasing process, the P-Card program includes the potential for the State to earn rebates if payments are made within 30 days. The rebates are based on the purchase volume, with a higher rebate rate for earlier payment.

In our initial audit report, which was issued on September 9, 2010, our objectives were to determine the extent to which State agencies process small-dollar transactions using paper-based voucher processes instead of the State procurement card, and to identify potential cost savings and revenue enhancements achievable through better use of procurement cards. Overall, we found agencies had made progress in moving their smaller purchases to the P-Card. Most State agencies had increased their P-Card use since the 2005-06 fiscal year, and more agencies

had acquired and were beginning to use the Card and were encouraging its wider distribution and use. Although P-Card use was improving, many opportunities still existed for agencies to more fully benefit from the savings and revenues associated with using the Card for eligible small-dollar purchases. The objective of our follow-up was to determine the extent of implementation of the three recommendations included in our initial report.

### **Summary Conclusions and Status of Audit Recommendations**

We determined OGS officials made significant progress in addressing the issues we identified in the initial audit. All three prior audit recommendations have been implemented. Additionally, OGS has been successful in its efforts to increase State agencies' P-Card use for small-dollar purchases. Aggregate P-Card usage increased from 37 percent of eligible purchases in 2008-09 to 64 percent in 2011-12. Several entities that existed in 2008-09 were consolidated or closed by 2011-12, while some new entities had been created. Of 315 entities that existed in both years, 218 increased their P-Card usage, 45 decreased their usage, 51 did not have P-Cards during either year, and one used P-Cards for all purchases during both years.

### **Follow-Up Observations**

#### **Recommendation 1**

*Investigate alternative approaches that could provide incentives for State agencies to increase their use of the P-Card by enabling them to directly access and benefit from procurement card rebates.*

Status - Implemented

Agency Action - The current contract is up for bid. OGS officials are negotiating a provision in the new contract with Citibank which would require a quarterly reconciliation and remittance of the rebate to the State. If the rebates were received on a quarterly basis, they could be redistributed to the agencies in the current fiscal year. OGS officials agree that if the agencies could share the rebates they would be more likely to maximize P-Card usage and pay promptly.

#### **Recommendation 2**

*Help agencies strengthen their efforts to make P-Card payments timely, and communicate the importance of doing so, emphasizing the rebates forfeited due to late payments.*

Status - Implemented

Agency Action – OGS conducts annual Purchasing Forums to educate agencies' procurement officers and management. The 2010 Forum featured a presentation on purchasing using the P-Card, including an explanation of the rebate system. The presentation showed the amount of savings per transaction using the P-Card, as well as tracking reports available to

see the amounts purchased and rebates earned by agency. The presentation demonstrated how late payments decrease the potential rebate, with forfeiture of the rebate altogether after 30 days.

### **Recommendation 3**

*Work with agencies to promote use of the P-Card for eligible small-dollar transactions, via top-down communication and training, to increase the likelihood of realizing cost savings and rebate revenues.*

Status - Implemented

Agency Action - In our initial audit report, we noted that some agencies were reluctant to use the P-Card because they had concerns with the internal controls over the use of the cards and feared improper purchases may result. In addition to extolling the potential cost savings and rebates from using the P-Card, OGS' presentation at the 2010 Purchasing Forum described the controls intended to prevent misuse of the cards. In addition to various tracking reports, the system offered by Citibank includes the Program Audit Tool, which allows agency management to customize rules that can be used to monitor purchasing patterns, exceptions and trends, as well as capture data to form an audit trail.

Additionally, at the Office of Taxpayer Accountability's March 10, 2010 Interagency Task Force meeting of agency managers, OGS internal auditors made a presentation on establishing optimal internal controls to increase agency confidence in and use of P-Cards. The presentation focused on the controls OGS implemented to prevent fraud. OGS internal auditors also supplied their audit plan for P-Card reviews to other agencies' internal auditors who requested it. OGS officials believe this should give agency officials confidence that use of the P-Card is safe.

Major contributors to this report were Walter Irving, Joel Biederman, Donald Collins and Dick Gerard.

Please extend our thanks to the management and staff of OGS for the courtesies and cooperation extended to our auditors during this review.

Sincerely,

John F. Buyce CPA  
Audit Director

cc: Robert Curtin, Office of General Services  
Thomas Lukacs, Division of the Budget