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**New York State Office of the State Comptroller**  
Thomas P. DiNapoli

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Division of State Government Accountability

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# Procurement Card and Travel Card Purchases

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## City University of New York School of Professional Studies

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Report 2013-S-39

February 2015

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## Executive Summary

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### Purpose

To determine if the City University of New York (CUNY) School of Professional Studies complied with the pertinent New York State and CUNY purchasing guidelines applicable to Procurement Card and Travel Card purchases. The audit covers the period April 1, 2009 through March 28, 2014.

### Background

The City University of New York School of Professional Studies (CUNY SPS or SPS) was founded in 2003 to meet the educational needs of working adults, organizations, and employers. In April 2014, CUNY SPS offered 15 degrees (nine bachelor's and six master's) as well as a number of certificate programs. The school's enrollment has grown to over 2,200 students in the credit-bearing programs and each year has more than 10,000 non-credit registrants. SPS's revenues increased from \$7.94 million in fiscal year 2009 to \$17.54 million in fiscal year 2013. Its expenses increased from \$8.11 million to \$16.55 million for the same period. Over 70 percent of SPS's revenues come from tax levy allocations.

When procuring goods and services, State agencies (including SPS) are required to follow prescribed State requirements. In addition, the State established the Procurement Card (P-Card) Program as an efficient and cost-effective way to expedite small-dollar purchases. Likewise, the Travel Card Program was created to provide employees with an efficient method to pay for work-related travel expenses and reduce the amount of their out-of-pocket expenses when traveling on behalf of the agency. For the period April 1, 2009 to June 13, 2013, CUNY SPS made 2,107 P-Card purchases totaling about \$2.4 million and 211 Travel Card charges totaling about \$123,000.

### Key Findings

We identified nearly \$1.35 million in improper and/or questionable procurements. For example:

- CUNY SPS charged over \$500,000 in advertising services to its State-issued P-Cards instead of contracting for these services, as SPS purchasing guidelines require.
- For fiscal years 2009 to 2011, SPS used a P-Card to purchase a total of \$283,701 in printing services from one vendor instead of engaging in the competitive bids process for printing services in excess of \$5,000, as the New York State Printing and Public Documents Law requires.
- A State-issued Travel Card was used to purchase several meals from New York City restaurants for employees who were not on travel assignments as well as to pay for the office's holiday parties. The Travel Card was also inappropriately used to pay for lodging and airfare totaling \$6,546 for seven persons, five of whom were not SPS employees.

### Key Recommendations

- Comply with State and CUNY procurement guidelines, including, but not limited to, using formal contracts for purchases, eliminating split-ordering, and obtaining competition among qualified vendors.
- Ensure P-Cards and Travel Cards are used only for appropriate transactions.
- Ensure that the P-Card monthly audits are conducted timely and appropriately.

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**State of New York  
Office of the State Comptroller**

**Division of State Government Accountability**

February 25, 2015

Mr. James B. Milliken  
Chancellor  
City University of New York  
205 East 42nd Street  
New York, NY 10017

Dear Chancellor Milliken:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage their resources efficiently and effectively. By so doing, it provides accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities, and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit of the City University of New York School of Professional Studies entitled *Procurement Card and Travel Card Purchases*. This audit was performed pursuant to the State Comptroller's authority under Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

The audit results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

*Office of the State Comptroller  
Division of State Government Accountability*

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This report is also available on our website at: [www.osc.state.ny.us](http://www.osc.state.ny.us)

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## Background

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The City University of New York (CUNY) School of Professional Studies (CUNY SPS or SPS) was founded in 2003 to meet the educational needs of working adults, organizations, and employers. In April 2014, CUNY SPS offered 15 degrees (nine bachelor's and six master's) as well as a number of certificate programs. The school's enrollment has grown to over 2,200 students in the credit-bearing programs and each year has more than 10,000 non-credit registrants. SPS's revenues increased from \$7.94 million in fiscal year 2009 to \$17.54 million in fiscal year 2013. Its expenditures increased from \$8.11 million to \$16.55 million for the same period. Over 70 percent of SPS's revenues come from tax levy allocations.

New York State established the Procurement Card (P-Card) Program as an efficient and cost-effective way for State entities to expedite small-dollar purchases. Likewise, the Travel Card Program was created to provide employees with an efficient method to pay for work-related travel expenses and reduce their out-of-pocket expenses when traveling on behalf of the agency. The Office of General Services administers the P-Card and Travel Card Programs and provides agencies with guidelines on the appropriate use and controls that need to be in place to identify instances of inappropriate or questionable purchases. For example,

- P-Card purchases must not exceed the pre-authorized per-transaction and monthly spending limits. Furthermore, cardholders should not split an order just to use the procurement card when the purchase price would otherwise exceed the per-transaction limit and require the solicitation of bids;
- P-Card and Travel Card users must use the cards only for State business purposes and not for entertainment or personal use; and
- The agency issuing the card should establish a program to audit the P-Card and Travel Card transactions. At a minimum, this audit should be done monthly.

CUNY purchasing guidelines impose certain restrictions on P-Card purchases and the amount of the purchase. For instance, for any purchase over \$5,000, an invitation for bid must be distributed to at least five qualified suppliers; for any purchase over \$20,000 for the year, bids must be solicited through the advertisement of goods and services. During the audit scope period, SPS had authorized six officials to make purchases on its behalf using their P-Cards, and 14 SPS employees were assigned State Travel Cards.

For the period April 1, 2009 to June 13, 2013, CUNY SPS made 2,107 P-Card purchases totaling about \$2.4 million and 211 Travel Card charges totaling about \$123,000.

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## Audit Findings and Recommendations

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We judgmentally selected a sample of 192 P-Card purchases and 84 Travel Card transactions to determine if the procurements were made according to State and CUNY guidelines. We identified nearly \$1.35 million in improper and/or questionable procurements. A significant number of large-dollar purchases were made using the P-Card rather than through competitively bid contracts, as CUNY and State purchasing policies otherwise require.

Among our audit findings, we determined that CUNY SPS officials:

- Used the P-Cards to make large-dollar recurring purchases, which constituted “split orders,” that should otherwise have been competitively procured. Further, the use of the P-Cards to make such purchases was contrary to the intent of the P-Card Program;
- Engaged in purchase practices that were not in compliance with CUNY and State competitive bidding procurement guidelines;
- Used the P-Card to make non-business-related purchases; and
- Used the Travel Card to make purchases from vendors in New York City when the cardholders were not in travel status or inappropriately made purchases on behalf of non-CUNY employees.

We believe the deficiencies we identified are indicative of a weak control environment over the use of P-Cards and Travel Cards. Lax enforcement of applicable State and CUNY policies and weak oversight and monitoring of P-Cards and Travel Cards increase the risk of waste and abuse of public funds.

### Questionable Procurement Card Purchases

#### *Split Purchases*

During the audit scope period, CUNY SPS officials used several P-Cards to charge over \$500,000 for advertising activities. Some transactions involved high-dollar purchases (contrary to the “small-dollar” intent of the P-Card Program) where SPS did not issue invitations for bids or proposals, as State and CUNY procurement guidelines otherwise require. Instead, purchases from the same vendor were split-ordered into multiple smaller procurements. These purchases circumvented CUNY’s price-based purchasing rules which required that: (1) any purchases costing more than \$20,000 for the year require the solicitation of bids or proposals through the advertisement of goods and services; and (2) purchases costing more than \$5,000 must be made through invitations for bid distributed to at least five qualified suppliers. By not soliciting bids for goods and services, SPS officials had limited assurance that SPS paid the lowest reasonable prices for them and that the funds were spent in the best interest of the State. Specifically, we determined that:

- Starting in July 2011, CUNY SPS used the P-Card to make 11 monthly payments of \$7,000 to Google for advertising services (totaling \$77,000);
- On May 3, 2012, SPS purchased two advertisements for a total of \$10,000 (\$5,000 each);

and

- On May 16, 2012, SPS made three separate P-Card payments to one vendor, identified as “NYSUT NYT,” for advertising services totaling \$6,684.

Further, we were unable to determine how SPS selected any of the vendors involved in the 192 transactions we reviewed. We concluded that SPS made these expedited purchases through P-Cards as a result of poor planning (or a lack of planning) in determining needs for goods and services.

CUNY SPS officials agreed with our audit findings, but stated that officials from OSC’s Bureau of State Expenditures (BSE) informed them that the P-Card can be used for large recurring purchases, including contract payments, up to the limit of the card. Consequently, we followed up with BSE personnel on this matter. BSE advised that it encourages agencies to use P-Cards for certain recurring payments, but this does not mean that P-Cards should be used to pay for agency specific contract items or to circumvent any OSC or CUNY procurement requirements.

Because SPS used P-Cards (instead of the required competitive procurement processes) to make certain recurring large-dollar purchases, SPS officials could not be adequately assured that SPS obtained the most reasonable prices for goods and services purchased. Lax controls over P-Card use and non-compliance with purchasing requirements could lead to favoritism in vendor selection, increasing the risk of waste and abuse of taxpayers’ money. We believe that SPS officials could have better assured that goods and services were acquired at the most reasonable costs if they planned procurements better and followed the applicable purchasing guidelines.

### *Overpayments to a Vendor*

In fiscal years 2011 and 2012, CUNY SPS made 25 online advertisement purchases from AOL totaling \$189,232. From May 20, 2012 to June 10, 2012, we found CUNY SPS made six duplicate payments to AOL totaling \$39,740. According to an SPS official, the AOL overpayment went unnoticed until SPS received a refund check from AOL. It is management’s responsibility to monitor, review, and approve the work of the staff who process payments for goods and services. Further, the lack of controls over accounts increases the risk that duplicate payments could be made without detection by SPS staff.

Although CUNY SPS officials acknowledged the duplicate payments, they said it was not due to inadequate monitoring of the Accounts Payable system. Rather, SPS’s Marketing Department mistakenly submitted the duplicate invoices for payment. Nonetheless, we believe that proper monitoring and oversight would have helped to ensure that staff determined the correct amounts (outstanding balances) owed and to be paid. Moreover, such controls could have precluded the duplicate payments.

### *Multiple Payments to One Vendor Under Different Names*

During fiscal years 2009-2012, CUNY SPS used the P-Card to pay a total of \$448,029 to one vendor under five different names - Metro New York, Metro NY Inc., SB New York, Seabay Interactive, and

Seabay Interactive, Inc. - for goods and services procured without a contract. By paying the same vendor under multiple identities, it appears SPS did not comply with CUNY and State purchasing guidelines requiring the solicitation of bids or proposals through advertisement for goods and services for any purchase over \$20,000 for the year. According to one SPS official, this vendor was selected at the recommendation of the former Marketing Director.

In response to our preliminary finding, SPS officials stated that the vendor submitted invoices using several "remit to" names and addresses, and that they paid the vendor based on a prior policy that allowed payments to vendors based on the "remit to" information on the invoice. Nevertheless, we believe that making payments to the same entity/party under different names and addresses decreases transparency and increases the likelihood of duplicate or erroneous payments.

### *Compliance with New York State Printing and Public Documents Law*

During our audit scope period, CUNY SPS purchased printing services from Linder Graphics totaling \$208,701 (including \$88,555 in fiscal year 2009, \$87,823 in 2010, and \$107,323 in 2011). According to New York State Printing and Public Documents Law (Law), all purchases involving printing services in excess of \$5,000 must be made through an invitation to bid, and CUNY Purchasing Guidelines require that the "Purchasing Department keep samples of the printed product(s) in the procurement file for inclusion with the voucher and for audit purposes." However, there was no indication that SPS procured Linder Graphics' services through an invitation for bid, and thus, there is limited assurance that SPS paid the lowest reasonable price. This provision has been amended to provide a \$50,000 threshold.

SPS officials acknowledged that SPS did not comply with the Law from 2009 to 2012.

### *Other Questionable Transactions*

CUNY SPS officials also used their P-Card to buy goods that did not appear to be business-related. For example, P-Cards were used to purchase:

- 100 Brooklyn Cyclones baseball tickets totaling \$900. According to SPS officials, these were purchased for use by students, staff, faculty, and their guests;
- M&M's candy costing \$618.50. SPS officials stated these were custom-made candy favors for a staff holiday party;
- a \$200 Edible Arrangements fruit basket. SPS officials were unable to explain the business purpose of this purchase; and
- a \$63.97 box of assorted birthday cards from The Gallery Collection used to celebrate staff birthdays.

CUNY SPS officials agreed with our audit findings.



## *Periodic Audit of Procurement Card Purchases*

OGS's P-Card guidelines require agencies to conduct monthly audits of P-Card purchases, and the audit function should be assigned to appropriate office staff who have the skills to effectively audit these transactions. At CUNY SPS, this audit function is handled by the Accounts Payable Coordinator, who checks off individual transactions on the P-Card monthly bank statement prior to payment. We found, however, that this individual does not check whether P-Card transactions were split-order purchases, transactions exceeded the monthly P-Card authorized limits, or the items purchased were received.

In response to our preliminary finding, SPS officials indicated that they will take corrective actions to ensure more appropriate and timely auditing of P-Card purchases.

## **Questionable Travel Card Purchases**

From May 22, 2009 to June 6, 2013, CUNY SPS employees made 211 Travel Card purchases totaling \$122,905. We selected a judgmental sample of 84 transactions, totaling \$72,834, to determine compliance with the State guidelines. The 84 selected transactions included 38 payments for meals totaling \$33,726, 41 travel and lodging payments totaling \$36,455, and 5 charges for conferences and membership fees totaling \$2,653. We found 62 of these 84 transactions to be questionable and represent inappropriate use of the Travel Card, as detailed in the following narratives.

### *Meals*

All 38 meal purchases occurred within the immediate vicinity of CUNY SPS offices in midtown Manhattan and were made by three SPS officials on behalf of individuals who participated in various meetings or events held at CUNY's midtown Manhattan campus or another nearby location. The three SPS officials were not in travel status at the time of the charges, and consequently they should not have used the Travel Card for them (consistent with the prescribed Travel Card policy). Included in these meal purchases were three Dean's dinners held on September 22, 2011 (costing \$1,680, including \$815 for alcoholic beverages), November 14, 2011 (costing \$1,620), and March 19, 2012 (costing \$1,960).

SPS officials explained that these dinners are a vehicle for the Dean to interact with students more personally in an otherwise largely online environment. We also inquired about the purchase of alcoholic beverages (an improper use of State Travel Cards) and were told that the Dean makes the decisions regarding the provision of alcohol. In addition, the restaurant refunded the amount charged on the Travel Card for the alcohol. The SPS Travel Card was also used to pay nearly \$5,000 to vendors for the 2010 and 2012 holiday parties. We were told that in both cases, CUNY Research Foundation funds were obtained to pay the restaurant for the alcohol and other vendors for the holiday parties. Regardless of the source of funding ultimately used to pay for these events, the use of the Travel Cards to pay for them in the first instance was inappropriate.

Although SPS officials agreed that their use of the Travel Card for meals was inappropriate, they

stated they made these purchases under the premise that food could not be purchased using a P-Card.

### *Lodging and Transportation*

The 41 travel and lodging transactions consisted of 20 charges for lodging totaling \$14,339 and 21 charges for transportation (air and train fares) totaling \$22,116. We found that CUNY SPS officials inappropriately used their travel card for 11 purchases totaling \$6,546 where either the transaction was inappropriately charged to a Travel Card, or we were unable to determine the business purpose of the transaction.

For instance, we found three hotel stays, totaling \$1,786, for two consultants and a commencement speaker were paid for with State Travel Cards. Travel Cards should be used only by the employees to whom the cards are assigned; they should not be used to cover the travel costs for consultants and other non-CUNY SPS employees. In addition, the rate charged for the commencement speaker's lodging was more than \$500 per night, significantly more than the \$318 allowed per diem for New York City as set by the General Services Administration.

Similarly, we found eight transactions, totaling \$4,760, for transportation charges where we were unable to determine the business purpose of the trip, or the trip was for a non-CUNY SPS employee, rendering it ineligible for use of the Travel Card. On three separate occasions, for example, CUNY SPS used the Travel Card to charge flights between the Netherlands and New York for a non-CUNY SPS employee.

We also noted that SPS officials paid \$14,394 (\$4,524 in 2010, \$5,756 in 2011, and \$4,114 in 2012) in airfares for two faculty members to lead the college's annual Project Rwanda study-abroad program. However, following the conclusion of each of the Rwanda sessions, the two professors flew to various other international destinations for about two weeks before returning to the United States. Specifically, the professors went to Kenya and Egypt in 2010, Frankfurt, Germany in 2011, and Istanbul, Turkey in 2012. We asked SPS officials about the business purpose of the professors' side trips and did not receive any explanations. OSC's Travel Manual requires travel to be in the best interest of the State, including using the most direct routes. OSC's traveling expenses regulations also require if an indirect route is taken, then the traveler should assume any extra expenses incurred.

SPS officials agreed with our preliminary findings regarding use of the Travel Card to pay for lodging for non-CUNY SPS employees and for the professors' airfares for their side trips. They disagreed that the business purpose of certain transportation charges could not be determined and that certain charges were inappropriate because they were for non-CUNY SPS employees. However, SPS officials were unable to provide adequate supporting documentation to demonstrate that the charges in question were appropriate.

### *Conferences and Membership*

SPS officials used a Travel Card to make improper payments of \$2,115 in 2010 and \$538 in 2012

for conference memberships for persons other than the cardholder, in violation of Travel Card policy. CUNY SPS officials agreed that these charges were improper.

## Internal Control Environment

CUNY SPS management is responsible for establishing proper internal controls to protect the school's assets from waste, abuse, mismanagement, and errors. An organization's control environment reflects its attitude toward internal control. Strong internal controls affect every aspect of an organization and are dependent upon people to reinforce them; they are the product of management's philosophy, style, and supportive attitude and employees' competence, ethical values, and integrity. The control environment is the foundation for an overall healthy and strong system of internal control. If the control environment is vulnerable, the organization's overall system of internal control will be ineffective.

We concluded that the range of deficiencies we identified were indicative of a weak control environment over SPS's procurement function. As previously noted, SPS had insufficient controls in place to prevent the circumvention of certain CUNY and State purchasing guidelines. Specifically, the control environment allowed improper purchasing practices (e.g., splitting orders and charging large recurring purchases to P-Cards) to continue over several years. Also, SPS audits of P-Card transactions were deficient, and Travel Cards were used improperly. Based on our review, we concluded that SPS officials need to strengthen the overall control environment for P-Card and Travel Card purchasing and to address certain procedural weaknesses in those functions.

## Recommendations

1. Comply with State and CUNY procurement guidelines, including (but not limited to) the use of formal contracts for purchases above prescribed dollar thresholds, eliminating split-ordering, and obtaining competition among qualified vendors.
2. Monitor the use of the P-Cards and Travel Cards to ensure they are only used for appropriate transactions.
3. Ensure that the P-Card monthly audits are conducted as required, and improve the review process.
4. Create a control environment where there is compliance with State and CUNY procurement guidelines to promote competition among qualified vendors.

## Audit Scope and Methodology

Our audit objective was to determine if CUNY SPS complied with applicable CUNY and State requirements related to purchasing. Our scope period covered April 1, 2009 through March 28, 2014. During that period, CUNY SPS made 2,107 P-Card purchases totaling about \$2.4 million and

211 Travel Card charges totaling about \$123,000.

To accomplish our objective and assess related internal controls, we met with SPS officials to develop an adequate understanding of their procurement policies and procedures. We also reviewed pertinent sections of New York State and CUNY procurement guidelines. We judgmentally selected a sample of 192 P-Card purchases and 84 Travel Card transactions to determine if the procurements were made according to State and CUNY guidelines. We examined the pertinent procurement files the payments selected for review. Additionally, we interviewed SPS Business Office staff who authorized and made purchases on behalf of SPS.

We conducted our 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 objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions, and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

## Authority

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This audit was performed pursuant to the State Comptroller's authority under Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

## Reporting Requirements

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We provided a draft copy of this report to CUNY officials for their review and formal comment. We considered CUNY's comments in preparing this final report and attached them in their entirety at the end of the report. In their response, CUNY officials generally concurred with our recommendations and indicated that steps have been and will be taken to address them. Also, our rejoinders to certain comments in CUNY's response are included in the report's State Comptroller's Comments.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Chancellor of the City University of New York shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.

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## Contributors to This Report

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### Vision

A team of accountability experts respected for providing information that decision makers value.

### Mission

To improve government operations by conducting independent audits, reviews and evaluations of New York State and New York City taxpayer financed programs.

## Agency Comments



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January 20, 2015

Ms. Carmen Maldonado  
Audit Director  
Office of the State Comptroller  
Division of State Government Accountability  
123 William Street - 21<sup>st</sup> Floor  
New York, NY 10038

Re: Draft Report No. 2013-S-39  
Procurement Card and Travel Card Purchases  
CUNY School of Professional Studies (SPS)

Dear Ms. Maldonado:

We have reviewed the above-captioned draft audit report and appreciate the opportunity to address the findings and recommendations contained therein. We were quite concerned by the overall indication in the report that a substantial number of procurement and travel card purchases made within the five-year audit period were either improper or questionable, and we therefore wanted to provide additional context for some of the procurement and payment decisions made by the School and to outline current and prospective corrective action measures.

As an overarching comment, it bears emphasizing here that on the whole, the School used the procurement and travel cards in furtherance of the aims of the School, as such aims relate directly or less directly to the School's promoting its many offerings to the citizenry of New York and establishing networks and a lasting spirit of community among its students, faculty and administrators, of the type that engenders student success and, in the future, helps to develop a base of alumni and friends committed to the longevity and further development of the school through their support, financial and otherwise.

* Comment 1
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The following represents the School's response to the specific issues raised in the draft report:

1. Questionable Procurement-Card Purchases
  - a. Finding No.1-- Split Purchases

The School acknowledges the findings in question with respect to advertising activities and notes that the services contracted for have since expired, and a

\*See State Comptroller's Comments, page 19.



competitive bidding process has begun for the procurement of advertising services for the School.

b. Finding No. 2-- Overpayments to a Vendor

The School acknowledges that these were duplicate payments. However, we assert that the overpayment occurred due to the mistaken submission of both the original and duplicate invoices by the Marketing Department to the Graduate School and University Center's Procurement Office and was not due to the inadequate monitoring of the Accounts Payable system.

AOL confirmed that they submitted these six duplicate invoices with unique invoice numbers directly to the Marketing Director for the purpose of pre-payment. The invoices did not indicate that purpose; it was only after further review and consultation with an AOL representative that this came to light. Consequently, when original invoices, also with distinct invoice numbers, were sent, there was no indication that those invoices were connected to others. Therefore, the payments were approved by Accounts Payable and certified by the Director of Budget and Finance based on the inclusion of the six invoices in a Purchase Order issued by the Graduate School and University Center and the Marketing Department's submission of those invoices for payment. The School has confirmed with AOL that no other overpayment was made and that the account is up to date.

* Comment 2
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As an additional step in our current monitoring process, Accounts Payable now reviews differing number sequences on invoices, despite having a purchase order in hand. This step works to ensure that duplicate payments of this nature do not occur again.

c. Finding No. 3-- Multiple Payments to One Vendor Under Different Names  
From the period of 2009-2012

CUNY's instruction to accounts payable staff was to pay the vendor according to the "remit to" address. The legacy state financial system, "CAS," allowed for accounts payable staff to enter different vendor names for payment, as directed by the vendor, despite having the same tax ID number. This particular vendor submitted invoices to the School using several "remit to" names and addresses, and as such CUNY SPS Accounts Payable paid them under this policy.

In 2012, in preparation for the State's conversion of CAS to SFS, CUNY created the Vendor Management Unit, in an effort to streamline and centralize the vendor upload process. The policy was subsequently amended to limit payment to a vendor based on tax ID number, regardless of the "remit to" name on the invoice.

The School contends the vendor was paid in accordance with the prior policy and not in any way to circumvent CUNY and State purchasing guidelines.

d. Finding No.4-- Compliance with New York State Printing and Public Documents Law

The School acknowledges the finding that the selection of Linder Graphics was out of compliance with the NYS Printing Law from 2009-2012 and notes that a competitive bid process for printing services has since taken place to secure printing services for the School. All parties involved have been notified that all contractual services must be coordinated through the School's Business Office and CUNY's centralized procurement via the University Controller's Office to ensure both CUNY and State purchasing guidelines are followed.

e. Finding No. 5-- Other Questionable Transactions

The School acknowledges the purchases of goods noted in this section, but contends that these goods were purchased with the goal and intent of student engagement and the building of community through sponsored events. The School did not have a physical home until August of 2013, and, prior to this time, School sponsored events were one of the few ways students, faculty, and staff had to engage and interact with one another in person. Nevertheless, the School accepts the determination that the expenditures outlined in the Other Questionable Transactions section of the report were improper tax-levy expenditures (particularly where those charges involved felicitations for staff), and the School will refund to the State those expenditures using non-tax-levy discretionary funds.

2. Questionable Travel Card Purchases

a. Finding No.1-- Meals

The School acknowledges the findings in question with respect to the use of the travel card for meals. However, these purchases were made under the misconception that the travel card and not the procurement card was the appropriate card to be used. This misunderstanding has since been corrected.

b. Finding No. 2-- Lodging and Transportation

The School acknowledges that some early travel and lodging transactions were inappropriately charged to a Travel Card. However, CUNY SPS disputes the notion that the State travel card should only be used by the employees to whom the cards are assigned. This policy did not go into effect until 2012. From the period of 2009-2012 the policy of using one School-wide travel card on behalf of all CUNY SPS employees was in effect and was in compliance with CUNY and NYS procurement guidelines.

* Comment 3
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The School also disputes the finding that "on three separate occasions, for example, CUNY SPS used the Travel Card to charge flights between the



Netherlands and New York for a non-CUNY SPS employee,” when in fact the purpose of these flights was to provide transportation for a Visiting Scholar who teaches in the School’s Master of Arts in Applied Theatre Program.

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Comment  
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The Business Office has implemented new policies and procedures for the management of Travel Cards and the procurement of approved institutional travel for faculty, staff, and administrators. Representatives of the Business Office work with all employees who are approved to travel and are issued a Travel Card to provide guidance regarding rules, regulations, and proper procedures.

c. Finding No. 3-- Conferences and Memberships

The NYS auditors determined that the School’s use of a Travel Card to make payments in 2010 and 2012 was improper and the School has taken corrective actions to ensure the proper processing and procurement of approved conferences and institutional memberships.

Recommendations:

In May 2014, CUNY SPS procurement and accounts payable functions moved from the Graduate School and University Center and CUNY SPS, respectively, to CUNY’s Central Office. While processes and responsibilities have changed, CUNY SPS recognizes the need for continuous monitoring and evaluation of its procurement and accounts payable functions despite this change. The School is committed to taking the following actions:

1. **Create a control environment where there is compliance with NYS and CUNY procurement guidelines to promote competition among qualified vendors.**

CUNY SPS replaced its Director of Budget and Finance in July 2012. Consequently, there has been a substantial revision to the procurement practices of the School. The School, as noted above, has conducted a successful bidding process for printing services and is preparing to solicit advertising services via a competitive bid process.

The School has made it a priority to competitively bid all goods and services, not just advertising, by ensuring purchase orders are issued prior to the acquisition of goods and services, as per CUNY and NYS Procurement Guidelines. In FY2012, only 24 purchase orders were issued. In FY2013 this number increased to 112, a 367% increase above the previous year. In FY2014, the School processed 253 purchase orders, a 125% increase above the FY2013 numbers. This trend has continued in FY2015 with the School processing to date 162 purchase orders.

**2. Solicit bids for all purchases greater than \$5,000.**

The Business Office does, and will continue to solicit bids for items/contracts exceeding \$5,000. The Business Office will also provide support and guidance to CUNY SPS authorized personnel advising them of proper procurement procedures.

**3. Ensure that only CUNY SPS authorized personnel procure goods and services.**

The Business Office will provide on-going support and guidance to all CUNY SPS authorized faculty and administrators regarding proper procedures when conducting business transactions related to the procurement of goods and services.

**4. Ensure sole source designations are used in proper circumstances.**

The Business Office will enlist the assistance of CUNY Central Procurement and CUNY legal with regard to suitability and acceptability of sole source designations, including the sole source documentation submitted by vendors.

**5. Adequately monitor the use of the procurement and travel cards to ensure they are only used for appropriate transactions.**

The School recognizes that consistent and accurate communication of policies and procedures to card holders is essential. CUNY Central Office has approved our request to participate in credit card training for all card holders and approvers.

Additionally, we have instituted a regular review of all P-Card holders and their respective transaction balances to assess their usage and the reasonableness of the limits established on each card. This has resulted in a realignment of limits that are appropriate and are in alignment with procurement guidelines.

**6. Ensure that the P-Card and T-Card monthly audits are conducted timely and appropriately.**

An Accounts Payable Coordinator has been hired to monitor and audit monthly P-Card and T-Card transactions. This hire was the result of segregation of duties within the School's Business Office. The employee is a full-time coordinator specifically hired into the position to conduct the audits in addition to processing payments.

Additionally, the School's College Accountant position has been reclassified as a Finance Specialist. Among the other responsibilities of this position, the Finance Specialist assists with the internal control audits of CUNY SPS. Working closely with the Director of Budget and Finance, the Finance Specialist

performs the monthly audits of credit card transactions both timely and appropriately.

Thank you again for the opportunity to respond to the draft report. If you have questions or comments that you would like to discuss, please do not hesitate to contact me.

Very truly yours,

Gordon Taylor  
University Executive Director

cc: Chancellor James B. Milliken  
Executive Vice Chancellor and COO Allan H. Dobrin  
Vice Chancellor Matthew J. Sapienza  
SPS Dean John Mogulescu  
SPS Associate Dean Brian A. Peterson

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## State Comptroller's Comments

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1. We do not question the merit of establishing networks and a lasting spirit of community among students, faculty, and administrators. Nevertheless, CUNY SPS officials should have complied with the prescribed guidance governing the use of P-Cards and Travel Cards. Moreover, we are pleased that CUNY officials generally agreed with our recommendations and will take steps to ensure compliance with the applicable policies and procedures.
2. We acknowledge that the submission of duplicate invoices with unique numbers led to the duplicate payments in question. Nevertheless, we maintain that better monitoring of P-Card charges could have prevented duplicate payments of this nature.
3. We acknowledge that prior to 2012 CUNY SPS used one schoolwide Travel Card on behalf of all CUNY SPS employees. However, as noted in the report, the Travel Card charges in question were for individuals who were not CUNY SPS employees.
4. We did not question the purpose or merit of the travel in question. Again, however, the traveler was not a CUNY employee. Therefore, his travel expenses should not have been charged to the Travel Card issued to a CUNY SPS employee.