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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

July 10, 2002

Mr. Kenneth J. Ringler, Jr.
Commissioner
NYS Office of General Services
Empire State Plaza, Corning Tower
Albany, New York 12242

Re: Report 2002-F-13

Dear Mr. Ringler:

Pursuant 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 reviewed the actions taken by officials of the Office of General Services (OGS) as of May 15, 2002, to implement the recommendations contained in our audit report, *Administration of the New York State Procurement Card Program* (Report 99-S-17). Our report, which was issued on January 11, 2001, assessed the actions taken by OGS to effectively market and encourage statewide agency participation in the New York State Procurement Card Program (Program) and to determine whether agencies are complying with Program guidelines and realizing the anticipated benefits.

Background

The Program was initiated in 1996 to reduce procurement-related paperwork and associated costs, and to expedite payments to vendors. It allows for the purchase of items through the use of a State-authorized credit card. At the time of our prior audit, the card could be used for individual non-travel-related purchases up to a maximum value of an agency's "quick-pay" limit (usually \$2,500). An authorized procurement card user executes a purchase transaction by merely using the card to acquire items, and may accept immediate receipt of the item(s) purchased. To expedite the purchasing process, the purchase transactions are reviewed for compliance with Program guidelines only after they are made.

Several State agencies, including OGS, agreed in 1996 to pilot the Program. Two years later, Program enrollment was opened to all State agencies. As the State's procurement service agency, OGS was, and continues to be, responsible for disseminating Program-related information to agencies and fielding Program-related questions. To promote card usage, OGS and the Office of the State Comptroller (OSC) have worked together to present information sessions at several agencies.

Summary Conclusions

In our prior audit, we found that, although the use of the Program had increased significantly since it was introduced in 1996, additional marketing efforts were needed to encourage greater agency participation and to help achieve the anticipated Program benefits. We also found the need for improved compliance with Program guidelines by agencies.

In our follow-up review, we found that OGS officials have made significant progress in implementing the recommendations contained in our prior report.

Summary of Status of Prior Audit Recommendations

Of the six prior audit recommendations, OGS officials have implemented four recommendations and partially implemented one recommendation. One recommendation is no longer applicable.

Follow-up Observations

Recommendation 1

Enhance Program outreach activities to maximize Program participation and card usage.

Status – Implemented

Agency Action – In the Spring of 2001, OGS and OSC officials held a combined purchasing forum attended by more than 600 people from State and local agencies, nearly half of which attended a presentation on the Program. The group presented a discussion on the benefits of the Program for purchases within agency limits. In addition to this forum, both OSC and OGS maintain websites where information about the Program can be obtained. In addition, the OGS Procurement Services Group publishes a fact sheet entitled *Frequently Asked Questions*, which includes questions specific to the Program. This can also be found on the OGS website.

Recommendation 2

Evaluate strategies and best practices reported by other states as successful in increasing participation and assess the benefits of their application in New York State.

Status – Implemented

Agency Action – Currently, OGS is developing a new Request for Proposals (RFP) for the Program. To identify best practices that could be followed in New York State, including the development of the RFP, OGS officials attended several national procurement seminars and researched RFPs developed by other states for their own procurement card programs.

Recommendation 3

Enhance communications with participating agencies to help ensure their compliance with Program guidelines.

Status – Implemented

Agency Action– OGS officials have taken several steps that they expect will encourage the proper use of the card by providing participating agencies with the knowledge they need, such as the responsibilities of the agencies and individual cardholders to follow State procurement rules and regulations. These helpful OGS resources include websites that cover proper card use, annual training sessions, and other communications, including the *Frequently Asked Questions* fact sheet, which contains questions specific to the use and benefits of the Program.

Recommendation 4

Study the feasibility of allowing authorized cardholders to exceed their individual transaction limits when purchasing from a preferred source vendor or on State contract.

Status – Implemented

Agency Action – OGS officials told us that they interviewed credit card companies regarding purchasing flexibility when they were developing the new RFP for the Program. They said they learned that credit card companies do not have the technology to differentiate between items that are on contract and those that are not. Thus, cardholders would not be able to exceed their individual transaction limits when they use the card to purchase from a preferred source vendor or on State contract.

Recommendation 5

Share the results of this audit with all participating agencies, and work with the applicable agencies to correct the Program deficiencies noted in this report.

Status – Partially Implemented

Agency Action – OGS officials stated that they believe the results of our prior audit were shared with participating agencies in a procurement newsletter that they no longer issue. However, because OGS has since changed its email software, items such as the old newsletters were lost, making it impossible for officials to document their actions. They also contended that many of the activities they sponsor, such as their annual purchasing seminars, include suggestions on the appropriate handling of transactions using this Program.

Recommendation 6

Work with agencies to develop and implement a comprehensive, standardized Program training curriculum.

Status – No Longer Applicable

Agency Action – New guidelines from OSC make participating agencies, not OGS, responsible for developing specific Program guidelines and providing sufficient training. OGS officials display the OSC guidelines on their website and expressed the believe that the need for a comprehensive standardized training curriculum is negated by the change in guidance towards agencies developing their own process for controlling card usage.

Major contributors to this report were John Buyce, Larry Wagner, and Don Wilson.

We would appreciate your response to this report within 30 days, indicating any actions planned or taken to address any unresolved issues discussed in this report. We also thank the management and staff of the Office of General Services for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Frank J. Houston
Audit Director

cc: Robert B. Curtin, OGS
Deirdre A. Taylor, Division of the Budget