



Albany County Department of Audit & Control

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Comptroller

Procurement Card Audit

of the

Office of the Albany County District Attorney

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PURPOSE OF REVIEW

The review of the District Attorney's procurement card usage was performed due to the findings within the 2008 Audit of the District Attorney's Petty Cash funds. The purpose of this review included but was not limited to the following:

- ❖ To determine if correct procedures and controls are being used by the Albany County District Attorney's Office in regard to their Procurement Card purchases.
- ❖ To determine whether internal controls are adequate to safeguard assets and prevent significant loss.
- ❖ To review purchases by all credit card holders within the Albany County District Attorney's Office.

BACKGROUND

Albany County currently recognizes that the use of procurement cards is a practical alternative to the use of purchase orders or petty cash for high volume, low value purchases. Procurement card usage was initiated to simplify the requisitioning, purchasing and payment process for small dollar purchases.

Albany County has issued policies and procedures to each department holding County procurement cards and each individual cardholder must sign a release stating that they understand the rules and regulations that govern the use of these cards.

The Office of the Albany County District Attorney began using procurement cards in the summer of 2006. These cards are Visa credit cards and are issued by JP Morgan Chase bank. The initial request for these cards was to ease the burden of prosecuting the Porco Case due to the location change to Goshen, New York. Originally, only a few cards were issued, but currently the Albany County District Attorney's Office has nine cardholders. These cardholders range from the District Attorney to secretarial staff.

Due to the recommendation from the 2008 Albany County District Attorney's Office Petty Cash Audit, we are currently reviewing all procurement card purchases made by the nine individuals who have credit cards in the Albany County District Attorney's Office.

The Comptroller's Office made several attempts to obtain a response to this review. Our office believes that by their lack of response to the findings in this document, the District Attorney's Office has no comment to the findings in this review.

ALBANY COUNTY PROCUREMENT CARD POLICY AND PROCEDURES

Albany County has a comprehensive policy in place to establish an internal control structure for credit card use and the allowable expenses that County departments and employees can charge on government-owned credit cards. These regulations describe how the cards can be used and by whom, the documentation needed to support credit card claims, and the County's recourse in the event of improper credit card use.

Albany County Policies and Procedures for procurement card usage currently establishes the following procedures:

- ❖ Identify all authorized users
- ❖ Set appropriate credit limits
- ❖ Establish custody of the cards when not in use
- ❖ Require proper documentation for all transactions

SCOPE AND METHODOLOGY: Comptroller's staff audited credit card expenditures, including charges for meals and travel costs. The audit covered the period January 1, 2008 through July 31, 2008.

INTERNAL CONTROLS:

FINDING: There is a lack of internal controls over county procurement cards held by the District Attorney's Office. Currently, non-cardholders from the Albany County District Attorney's Office can call a certain vendor (ie. The Lunch Box) and place an order with a county credit card. This was discovered during an interview of members of the District Attorney staff who hold procurement cards. One employee explained to audit staff that on at least five occasions, other employees used her card number without her knowledge to order lunch platters for the office. She then would have to ask fellow employees to find out who ordered the items and why these items were ordered.

The problem is twofold, multiple employees are charging purchases on the same card and employees who are not authorized users of the county procurement cards and have not signed an agreement to use these cards are verbally giving out another employee's procurement card number over the phone without the actual cardholder having knowledge it was occurring.

RECOMMENDATION: The current credit cards should be closed and cancelled. Multiple employees are prohibited from charging expenses on a single individual's card.

This is a misuse of The Albany County Procurement Cards and is detailed in the Albany County Procurement Card Policy and Procedures under the Internal Controls section, which states, "*Only one employee shall be authorized to use each procurement card.*"

Such issuance to a specific employee must be approved by the employee's Department Head."

Additionally, the credit card agreement states, *"procurement cards should be maintained in a secure location and the card account number should be carefully guarded."* The internal controls section also states, *"Any misuse of the procurement card or misrepresentation while using a procurement card shall require the immediate suspension of all procurement card privileges by the relevant department."*

FINDING: In the review of 2008 charges, there were numerous receipts that have never been submitted to the Albany County Purchasing Department and to the Albany County Comptroller's Office.

Auditors also compared the number of missing receipts from other departments that utilize procurement cards to the number of missing receipts from the District Attorney's Office. Auditors found the District Attorney's Office has failed to turn in 25 receipts for the 6 month period audited.

The rest of the County that hold these procurement cards has only failed to turn in 12 receipts during the same period.

Missing receipts are outlined below:

<u>Card Holder</u>	<u>Location</u>	<u>Amount</u>
Legal Secretary	Lunch	\$7.75
District Attorney	Bucca DiBeppo	\$139.00
District Attorney	Dunkin Donuts	\$5.60
Legal Secretary	Lunch	\$71.25
Investigator	Ralph's Tavern	\$87.87
District Attorney	Tramonti Restaurant	\$93.00
District Attorney	Latham 76 Diner	\$25.56
District Attorney	Victory Café	\$41.65
Legal Secretary	East Greenbush Travel	\$59.50
Legal Secretary	Lunch	\$64.25
Legal Secretary	Lunch	\$18.40
Legal Secretary	Lunch	\$23.75
Director of Administration	EZ Pass	\$60.00
Director of Operations	Gateway Diner	\$25.08
District Attorney	Bayou Café	\$49.00
District Attorney	Metro 20 Diner	\$26.90
Legal Secretary	US Air	\$150.00
Legal Secretary	The Lunch Box	\$44.36
Legal Secretary	The Lunch Box	\$35.40
Legal Secretary	The Lunch Box	\$12.80
District Attorney	Johnny's Half Shell	\$40.00
District Attorney	Washington Court Hotel	\$582.81

	(Washington, DC)	
Legal Secretary	Phoenix Self Storage	\$6.95
Legal Secretary	The Lunch Box	\$55.20
Legal Secretary	Crowne Plaza Albany	\$119.70
Total \$ Amount in Missing Receipts		\$1,845.78

RECOMMENDATION: All Original receipts must accompany credit card statements. This is a misuse of The Albany County Procurement Cards and is detailed in the Albany County Procurement Card Policy and Procedures, under the Account/Cardholder Termination section, bullets 5 and 6.

It states, *“The Procurement Card Administrator is required to close an account if a card holder”*

❖ *“fails to provide receipts for all transactions,”*

As this is taxpayer’s money, careful documentation is needed to account for all transactions. This documentation is required, especially for restaurant purchases that are local, to justify that this is a valid expenditure.

FINDING: Examination of receipts found that an Assistant District Attorney used his credit card for dinner at the Victory Café for himself and two others while a jury case was being deliberated. When he returned, he gave his own procurement card to an investigator to use later that evening. The investigator, who has his own County procurement card, used the Assistant District Attorney’s card at Delmonico’s Steak House for himself and two others, and signed the receipt with his own name.

This is prohibited under procurement card policies and procedures, where it states, *“Only one employee shall be authorized to use each procurement card.”*

RECOMMENDATION: The current credit cards should be closed and cancelled. This is a misuse of The Albany County procurement cards. Under “Internal Controls” section it states, *“Any misuse of the procurement cards or misrepresentation while using a procurement card shall require the immediate suspension of all procurement card privileges by the relevant department”. Any misuse of the procurement card shall be grounds for discipline up to and including termination of employment.”* It is also creates the appearance of offering a false instrument for filing to a municipality.

FINDING: Detailed receipts were missing in many of the receipts provided by the District Attorney’s Office. When receipts were provided for some meals, often, these receipts were not itemized. Without detailed receipts that show the make-up of the expenses, we could not verify that all amounts charged to the County did not include personal expenses.

RECOMMENDATION: The Albany County District Attorney’s Office must provide detailed receipts of purchases made with taxpayer’s money. This enhances the checks and balances of the county’s accounting system and provides the transparency to taxpayers on the use of the people’s money.

PROCUREMENT CARD USAGE

On August 8, 2008, all cardholders were sent a detailed list of all their purchases. Auditors asked the cardholders for justification of their expenses. Audit staff received eight of the nine requests back within two weeks of the request. However, after two attempts to obtain this information, the detailed description of the District Attorney’s procurement card usage was received from the District Attorney on October 24, 2008, almost three months after the initial request. This is a direct violation of the procurement card rules and regulations, which states:

“The Procurement Card Administrator is required to close an account if a card holder”

- ❖ *“fails to provide receipts for all transactions,”*
- ❖ *“The card holder fails to provide, when requested, information about any specific purchase.*

An analysis of County procurement cardholders from the District Attorney’s Office for 1/1/08-6/30/08 are as follows:

District Attorney:

The Albany County District Attorney spent \$2,583.19 on his county procurement card from 1/1/08-7/3/08. \$1,103.54 was spent on food purchases (66%). 72% or \$795.14 of the District Attorney’s food expenditures are from local restaurants. They are outlined below:

<i>Restaurant</i>	<i>\$ Amount of Food Purchases</i>
TGI Fridays	\$39.56
Jillian’s	\$24.00
Gateway Diner	\$30.28
Yips Chinese Restaurant	\$35.00
Ichiban Chinese And Japanese	\$53.00
Yono’s	\$45.00
Jillian’s	\$30.72
Buca Di Beppo	\$139.00
Dunkin Donuts	\$5.60
Bayou café	\$32.56
Pancho’s Mexican Restaurant	\$73.00
Latham 76 Diner	\$25.56
Jillian’s	\$44.31
Victory Café	\$41.65

Bayou Café	\$49.00
Savannah's	\$41.00
Paesan's Pizza	\$50.00
Metro 20 diner	\$26.90
Total	\$795.14

According to the detailed description received by the District Attorney, the meals purchased by the county at the local establishments were for "working meals".

54% (\$1,003.52) of the \$1845.78 in purchases turned over to the Purchasing Department that were missing receipts were from the District Attorney.

As previously stated, the District Attorney has violated the County procurement card policy under *Account/Cardholder Termination* where it states that a card be cancelled for failure "to provide, when requested, information about any specific purpose." The District Attorney, waited over two months, until October 24, 2008 to provide information justifying his expenses.

Legal Secretary

The purchases for the first seven months of 2008 on this individual's card total \$29,591.59. These purchases are for booking travel for employees and witnesses as well as food related expenses for the office for many employees and witnesses testifying on trial. An analysis of the usage of this card shows \$4,089.53 (13%) were spent at local food establishments including:

<i>Restaurant</i>	<i>Amount</i>
The Lunch Box (11 transactions)	\$668.59
Lunch (38 purchases)	\$2,490.80
Jack's Place	\$518.00
Bruegger's (Pearl St)	\$43.21
Four Corner's Luncheonette	\$175.00
The Skyline (2 transactions)	\$56.00
The Pizza Mill	\$137.93
Total	\$4,089.53

Travel related expenses totaled 19,928.86 for the first six months of 2008. 36% (\$669.31) of all purchases turned in to the Purchasing Department with missing receipts were made on this individual's procurement card. It is not clear whether this is because multiple individuals use this individual's procurement card.

Director of Operations

The purchases for the first six months of 2008 totaled \$7,026.49. \$7,008.29 of these purchases (98%) were spent on booking airline tickets and travel for other employees, State Police and other law enforcement to track down witnesses.

MEALS AND REFRESHMENTS PURCHASED BY THE ALBANY COUNTY DISTRICT ATTORNEY'S OFFICE

Albany County does not have a written policy outlining when it is appropriate to provide meals and refreshments to employees and/or attendees of County related meetings and events.

\$2,600 were spent on 34 working lunches and/or food for business meetings during the first seven months of 2008.

The District Attorney expended \$786.00 for meals and refreshments (see above chart) at 18 "working meals" during the audit period of 1/1/08-7/31/08.

The Street Crimes Unit expended \$161.00 (2 meetings at the Lark Tavern and one meeting at Mild Wally's) in meals and refreshments at three working meals during the audit period.

The Legal Secretary expended almost \$1,600.00 in meals and refreshments for 11 meetings (the Lunch Box, Lunch, etc) during the audit period.

Generally, these claims for meals and refreshments did not indicate why it was necessary to hold the meetings at mealtime out of the office and provide food to attendees at county expense.

Employees of the Office of the District Attorney should be entitled to reimbursement of the actual and necessary expenses incurred in the performance of their official duties.

However, generally, the District Attorney should only consider meals provided at meetings necessary when employees travel outside of their regular work areas on official business for extended periods, or where events prevent them from taking time off during mealtime for food consumption because of a pressing need to complete business.

To help control these expenses, the county should have a written policy for meals and refreshments at county meetings, which requires officials to document who attended the meetings and how the meetings fit these conditions.

EXECUTIVE SUMMARY

An integral part of any internal control structure is the "tone at the top,"¹. The basis of an effective control atmosphere is capable officials with integrity that attentively monitor

¹ According to the Association of Certified Fraud Examiners, "tone at the top" refers to the ethical atmosphere that is created in the workplace by the organization's leadership. Whatever tone management sets will have a trickle-down effect on employees of the company. If the tone set by managers upholds ethics and integrity, employees will be more inclined to uphold those same values.

operations. Having a good control environment helps ensure that all employees follow county policies and procedures.

To establish the proper control atmosphere, the District Attorney must act with the highest ethical principles and must adhere to the same rules and regulations he expects all other staff to follow. The District Attorney must show leadership in vigilantly safeguarding the public resources that have been entrusted to him by the citizens of Albany County. To achieve these goals, the District Attorney must follow all county policies and procedures. He must communicate these policies and procedures, and then ensure that all employees comply with them.

Our review of the District Attorney's internal controls over procurement card usage found that the District Attorney has not succeeded in his fundamental fiduciary duty of protecting taxpayer moneys by not upholding an appropriate "tone at the top." The District Attorney was the biggest offender of not following rules and regulations governing procurement card usage.

We also found a need for more policy guidance from the Albany County Legislature for travel and meal related expenses. There is a gaping hole in the current travel policy and there are opportunities for the Legislature to improve such.

The County must set guidelines for all county departments in regard to meals for business meetings and working lunches.

We identified the following areas needing improvement during our audit.

- ❖ Poor control environment in the Office of the District Attorney where detailed receipts that itemize the amounts charged are often missing.
- ❖ Failure to provide receipts for every purchase
- ❖ Multiple users utilizing credit cards
- ❖ Unauthorized users utilizing credit cards
- ❖ Extravagant spending regarding meals and food

FINAL COMMENTS

Though we have recommended that these procurement cards be closed and cancelled, we do believe the Albany County District Attorney's Office should have procurement card privileges. A discussion between the District Attorney, The Commissioner of Management and Budget, The Albany County Comptroller, and The Albany County Purchasing Commissioner should occur to determine how many Procurement Cards the District Attorney should be given, limitations on those cards, especially for "working meals" and who should have these in their possession.

The inherent problem governing the use of procurement cards is the lack of clear rules and regulations in the County regarding travel and meal reimbursement. The County does not have a travel policy that outlines which expenses it will reimburse, or sets limits

to what it will pay. To reduce the risk of errors and ensure transparency to the public, travel and meal allowances should be understandable to both officials and taxpayers.

The Albany County Comptroller recommends that the County adopt the Office of the New York State Comptroller's Guidelines for travel and meal reimbursement. Clarity is needed as to what is allowable and unallowable. Sections from the State Comptroller's policy guide for inclusion in an Albany County Travel Policy should include:

- ❖ The creation and use of a travel voucher. A travel expense voucher in the form prescribed by the Comptroller shall be used for all claims for travel expense, and each voucher shall require the following information:
 - The voucher shall show purpose of travel, dates and items of expenditure, points between which travel occurred, and times of departure and arrival.
 - If travel is by common carrier, the name of the common carrier shall be shown; if by auto, the statement of automobile travel shall be attached.
- ❖ Meals and lodging within the immediate vicinity of a traveler's official station or place of residence are not normally allowed.
- ❖ Travel between the employee's home and workstation is considered commuting and is not reimbursable.
- ❖ Original receipts for hotel, apartment, rooming house, specifying the date of occupancy and the rate paid are required.
- ❖ *Expenses for conferences, seminars and other training activities.* A travel voucher for expenses incurred when attending a conference or meeting of an association or organization, a seminar, or a similar event shall be accompanied by a copy of the official program for the event. Original receipts and sufficient information to justify both the travel and other expenditures are required.

While the Comptroller finds it appropriate to provide meals to witnesses testifying in Court cases, "working lunches" or other meals for staff members of the Albany District Attorney's office are considered extravagant and therefore inappropriate expenses except in unusual circumstances.

