



# City of New York

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## OFFICE OF THE COMPTROLLER

Scott M. Stringer  
COMPTROLLER



## MANAGEMENT AUDIT

**Marjorie Landa**

Deputy Comptroller for Audit

Audit Report on the Other Than  
Personal Services Expenditure  
Practices of the New York City  
Campaign Finance Board

MJ20-059A

June 21, 2021

<http://comptroller.nyc.gov>



THE CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
SCOTT M. STRINGER

June 21, 2021

To the Residents of the City of New York:

My office has audited the New York City (City) Campaign Finance Board (CFB) to determine whether it had adequate controls over its Other Than Personal Services (OTPS) expenditures pertaining to its imprest fund and miscellaneous payment voucher use, purchasing card (p-card) purchases, purchasing of computers and computer-related items, and campaign finance payments. We audit the operations of City agencies, such as this, as a means of ensuring that agencies properly manage and are accountable for City resources.

While the audit found that the CFB generally had adequate controls over its OTPS expenditures pertaining to the above-mentioned areas, there were certain aspects of its operations relating to OTPS expenditures that were found to need improvement. Specifically, the audit found that some purchases and reimbursement payments lacked evidence of requisite approvals. The audit also found that the CFB did not consistently follow applicable procedures concerning payments for transportation and training: charged some payments to incorrect object codes; and incorrectly used miscellaneous payment vouchers. Furthermore, the audit found that the CFB's written procedures were not always detailed or regularly updated, which may have contributed to the identified deficiencies.

The audit makes 13 recommendations, including that the CFB ensure that requisite written approvals are obtained before purchases are processed; all travel-related expenditures include written justifications; local and long-distance travel expenses paid by the agency meet the conditions for eligibility; OTPS payments are recorded under the correct object codes; miscellaneous payment vouchers are used for allowable purposes; and written policies and procedures include greater detail to address the deficiencies identified in this report.

The results of the audit have been discussed with CFB 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 e-mail my Audit Bureau at [audit@comptroller.nyc.gov](mailto:audit@comptroller.nyc.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "Scott M. Stringer".

Scott M. Stringer

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# THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER MANAGEMENT AUDIT

## Audit Report on the Other Than Personal Services Expenditure Practices of the New York City Campaign Finance Board

**MJ20-059A**

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### EXECUTIVE SUMMARY

The objective of this audit was to determine whether the New York City (City) Campaign Finance Board (CFB) has adequate controls over its Other Than Personal Services (OTPS) expenditures pertaining to its imprest fund<sup>1</sup> and miscellaneous payment voucher use, purchasing card (p-card) purchases,<sup>2</sup> purchasing of computers and computer-related items, and campaign finance payments.

The CFB was established in 1988 as an independent, nonpartisan agency to administer the City's campaign finance system, and is charged with providing public matching funds correlated to the dollar values of small contributions made to candidates running for City office as part of an effort to limit the role and influence of private money in the political process. By increasing the value of small-dollar contributions, the program's intent is to reduce the possibility for and perception of corruption from large contributions and unlimited campaign spending.

A prior NYC Comptroller's Office audit, "Audit Report on the Other Than Personal Service Expenditures of the New York City Campaign Finance Board" (Audit #FL11-069A; issued July 8, 2011), found that the CFB generally adhered to the requirements of Comptroller's Directives #6 and #24, the Department of Investigation's (DOI's) inventory standards, and applicable Procurement Policy Board (PPB) Rules. However, the audit identified several instances of the CFB's noncompliance with aspects of these requirements.

During Fiscal Year 2019, the CFB's Other Than Personal Services (OTPS) expenditures totaled \$15.3 million, consisting of \$6.3 million for its general OTPS expenditures, and \$9 million in election funding.

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<sup>1</sup> "Imprest Funds are agency-controlled checking accounts that can be used for small purchases and petty cash transactions." Comptroller's Directive #3: *Administration of Imprest Funds*.

<sup>2</sup> According to the Mayor's Office of Contract Services, "The Purchasing Card (P-Card) program is designed to assist agencies in streamlining the process for certain micropurchases [defined as purchases of goods and services other than construction valued at \$20,000 or less by Procurement Policy Board Rules §3-08]. P-Cards are used by agencies to purchase goods and standard services quickly and efficiently, without the intermediate steps required by the City's financial management system." NYC Mayor's Office of Contracting Services, P-Card Purchasing, <https://www1.nyc.gov/site/mocs/reporting/citywide-indicators/p-card-purchasing.page> (accessed April 28, 2021).

## Audit Findings and Conclusion

The audit found that the CFB generally had adequate controls over its OTPS expenditures pertaining to its imprest fund and miscellaneous payment voucher use, p-card purchases, purchasing of computers and computer-related items, and campaign finance payments. We found that payments for sampled purchases and employee reimbursements were generally supported and that the required approvals were obtained before the sampled campaign finance payments were processed. However, we found that several areas of the CFB's operations relating to OTPS expenditures need improvement. Specifically, we found that some purchases and reimbursement payments lacked evidence of requisite approvals. We also found that the CFB did not consistently follow Comptroller's Directive #6 and the CFB's written policies and procedures concerning City-funded payments for employees' transportation and attendance at training conferences, including requirements for long-distance travel and taxi fare reimbursement. In addition, we found that the CFB did not charge some payments to the correct object codes and incorrectly used miscellaneous payment vouchers.

Although the CFB has written policies and procedures for a number of its purchasing activities, they were not always detailed or regularly updated, which may have contributed to the deficiencies we identified.

## Audit Recommendations

Based on the audit, we make 13 recommendations, including the following:

- The CFB should ensure that requisite written approvals are obtained before purchases are processed.
- The CFB should ensure that all travel-related expenditures (local and long-distance travel requests) include written justifications as set forth in Comptroller's Directive #6.
- The CFB should ensure that local and long-distance travel expenses paid by the agency meet the conditions established in the CFB's procedures and Comptroller's Directive #6.
- The CFB should ensure that OTPS payments are recorded under the correct object codes.
- The CFB should review and follow policies set forth by Directive #24 and ensure to only use miscellaneous payment vouchers for allowable purposes.
- The CFB should update its written policies and procedures to include greater detail and specific requirements to address the deficiencies identified in this report.

## Agency Response

In its response, the CFB agreed with the audit's 13 recommendations.

# AUDIT REPORT

## Background

The CFB was established in 1988 as an independent, nonpartisan agency to administer the City's campaign finance system. It is charged with providing public matching funds correlated to the dollar values of small contributions made to candidates running for City office as part of an effort to limit the role and influence of private money in the political process. By increasing the value of small-dollar contributions, the program's intent is to reduce the possibility and perception of corruption from large contributions and unlimited campaign spending. The CFB also publishes detailed public information about money raised and spent in City elections by candidates, bringing greater transparency to the democratic process.

A prior NYC Comptroller's Office audit, "Audit Report on the Other Than Personal Service Expenditures of the New York City Campaign Finance Board" (Audit #FL11-069A; issued July 8, 2011), found that the CFB generally adhered to the requirements of Comptroller's Directives #6 and #24, the Department of Investigation's (DOI's) inventory standards, and applicable Procurement Policy Board (PPB) Rules. However, the audit identified several instances of the CFB's noncompliance with aspects of these requirements. Among the noncompliance issues identified, the audit found that the CFB improperly used two miscellaneous vouchers, totaling \$1,290, to pay membership dues and a seminar fee; and did not have adequate documentation and justification for two other payments, totaling \$1,492, by which it reimbursed employees for travel expenses.

During Fiscal Year 2019, the CFB's Other Than Personal Services (OTPS) expenditures totaled \$15.3 million, consisting of \$6.3 million for its general OTPS expenditures, and \$9 million in election funding.

## Objective

The objective of this audit was to determine whether the CFB has adequate controls over its OTPS expenditures pertaining to its imprest fund and miscellaneous payment voucher use, p-card purchases, purchasing of computers and computer-related items, and campaign finance payments.

## 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. 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 audit scope period was from July 1, 2018 through December 3, 2020. Please refer to the Detailed Scope and Methodology at the end of this report for specific procedures and tests that were conducted.

## Discussion of Audit Results with the CFB

The matters covered in this report were discussed with CFB officials during and at the conclusion of this audit. A preliminary draft report was sent to the CFB and discussed with CFB officials at an exit conference held on May 14, 2021. On May 25, 2021 we submitted a draft report to the CFB with a request for written comments. We received a written response from the CFB on June 9, 2021.

In its response, the CFB generally agreed with the audit's findings and 13 recommendations, and stated that: "We would like to take this opportunity to thank the Comptroller's Office for bringing to light a deficiency in the management of some of our finance functions. We take accountability very seriously and value the experience that the audit process has given us. As an agency, we are evaluating the controls we had in place and will make the needed corrections in compliance with the report's recommendations. . . . [T]he agency will implement corrective actions in response to the recommendations from this audit."

The full text of the CFB response is included as an addendum to this report.

## FINDINGS AND RECOMMENDATIONS

The audit found that the CFB generally had adequate controls over its OTPS expenditures pertaining to its imprest fund and miscellaneous payment voucher use, p-card purchases, purchasing of computers and computer-related items, and campaign finance payments. We found that payments for sampled purchases and employee reimbursements were generally supported and that the required approvals were obtained before the sampled campaign finance payments were processed. However, we found that several areas of the CFB's operations relating to OTPS expenditures need improvement. Specifically, we found that some purchases and reimbursement payments lacked evidence of requisite approvals. We also found that the CFB did not consistently follow Comptroller's Directive #6 and the CFB's written policies and procedures concerning City-funded payments for employees' transportation and attendance at training conferences, including requirements for long-distance travel and taxi fare reimbursement. In addition, we found that the CFB incorrectly charged some payments to the wrong object codes and incorrectly used miscellaneous payment vouchers.

Although the CFB has written policies and procedures for a number of its purchasing activities, they were not always detailed or regularly updated, which may have contributed to the deficiencies we identified.

The details of our findings are discussed in the following sections of this report.

### Payments for Purchases and Reimbursements Were Generally Supported

The CFB's *Procedures and Policies* (2016) and various City regulations, including Comptroller's Directive #3 (*Procedures for Administration of Imprest Funds*) and DCAS' Citywide P-Card Policies and Procedures, require the submission of invoices and receipts by employees requesting reimbursement of CFB-business expenses and the retention of invoices and receipts in the documentation supporting payments to vendors and reimbursements to employees.

We found that the CFB maintained invoices or receipts in support of its payments for purchases and employee reimbursements, with some exceptions. Of the 171 sampled payments from Fiscal Year 2019—totaling \$1,544,785—that we reviewed, we found that 163 (95 percent)—totaling \$1,542,740—were supported by invoices (for agency purchases) or receipts (for employee reimbursements). The bulk of the \$1,542,740—a payment for \$950,000—concerns a postage purchase. The breakdown for the remaining 8 payments (5 percent), totaling \$2,045, that were not adequately supported is shown in Table I below.



**Table I**

Breakdown of Payments Not Adequately Supported

Payment Type	Total # of Sampled Payment Packages**	Total # of Individual Payments in the Samples	# of Payments w/o Adequate Support	Total \$ Amount for Sampled Payments	\$ Value of Payments w/o Adequate Support
Imprest Fund Payments	29	29	2	\$3,465	\$293
Miscellaneous Voucher Payments*	26	69	4	\$974,904	\$1,224
Computer and Computer-related Purchases	16	16	1	\$541,311	\$209
P-Card Payments	14	57	1	\$25,105	\$319
TOTAL	85	171	8	\$1,544,785	\$2,045

\*The sampled miscellaneous voucher payments included one payment of \$950,000 for postage.

\*\*For Miscellaneous Voucher and P-Card payments, the sample was selected from payment packages, some of which included numerous individual payments.

Regarding the eight payments without adequate support, one of the two imprest fund payments cited in the chart was a \$250 E-ZPass payment that was supported only by a letter from E-ZPass stating that the CFB's E-ZPass account balance was \$12.49 and that the CFB's automatic replenishment of \$50 was not approved by the credit card issuer. The CFB's payment to E-ZPass also lacked the required approval of a supervisor. The second inadequately supported imprest payment was a \$43 payment for electronic equipment with no receipt indicating the items purchased; only the credit card statement was included as a supporting record. The four inadequately supported miscellaneous voucher payments cited above, totaling \$1,224, involved various subscriptions and a New York State attorney registration fee for one of the CFB's employees. The inadequately supported computer-related payment was also for various subscriptions, while the p-card purchase cited was for a recruitment advertisement. None of the payment files that we reviewed for these payments contained supporting receipts or invoices.

Without adequate supporting documents, the CFB incurs an increased risk that erroneous or duplicate payments to vendors may be made and go undetected. There is also an increased risk that staff may request and be reimbursed for ineligible expenditures.

## Recommendations

1. The CFB should ensure that it pays vendors and reimburses employees for eligible expenses only when it receives original, detailed invoices or receipts and that it maintains them on file.

**CFB Response:** "The agency is in the process of updating its policies and procedures for finance and will provide more detailed guidance to staff to ensure that all payments are reviewed before being finalized and that the appropriate

backup documentation and approvals are given. We will also conduct quarterly audits of our payment files to ensure compliance.”

2. The CFB should ensure that its policies and procedures include detailed instructions to Administrative Services staff concerning the documents they must have and retain on file before processing different types of payments, including, but not limited to those for goods, services, licenses, and recurring subscriptions.

**CFB Response:** “The agency is in the process of updating its policies and procedures for finance and will provide more detailed guidance to staff to ensure that all payments are reviewed before being finalized and that the appropriate backup documentation and approvals are given. We will also conduct quarterly audits of our payment files to ensure compliance.”

## Written Approval Not Obtained Prior to Purchases

DCAS’ Citywide Purchasing Card (P-Card) Policies and Guidelines and the CFB’s own policies and procedures require that staff obtain appropriate written approval before purchasing goods and services.

The CFB did not consistently obtain the requisite appropriate written approvals before purchases were processed. Of the 171 sampled individual payments for purchases totaling \$1,544,785, we found that 57 (33 percent), totaling \$549,511, lacked evidence of the proper written pre-approvals.

Table II below shows a summary of the sampled purchases by payment type without evidence of requisite pre-approvals.

**Table II**  
Summary of Sampled Purchases without Evidence of Requisite  
Written Pre-Approvals

Type of Purchase	Total Number of Individual Payments Reviewed	Total Dollar Amount of Payments Reviewed	Number of Payments without Evidence of Requisite Written Pre-Approvals	Total Dollar Amount of the Payments without Requisite Written Pre-Approvals
Imprest Fund	29	\$3,465	4	\$455
P-Card	57	\$25,105	4	\$1,125
Computer and Computer-related Purchases (payments charged to Object Codes 199 & 332)	16	\$541,311	13	\$540,723
Purchases Recorded as Miscellaneous Payment Vouchers*	69	\$974,904	36	\$7,208
Total	171	\$1,544,785	57	\$549,511

\*The sampled miscellaneous payment vouchers included one payment for postage in the amount of \$950,000.

Regarding the payments without evidence of requisite written pre-approvals, the highest by dollar value involved 13 computer and computer-related purchases totaling \$540,723. They included over \$466,000 in networking equipment and various hardware and software purchases, and approximately \$21,000 for the purchase of 3 laptops, 16 desktops, and other hardware. CFB officials said that the CFB's Director of Systems Administration had preapproved these purchases of computers and related items, but the CFB's payment files contained no evidence of that approval; the only evidence of the Director's approval was his signature on the invoices, after the purchases were made.

For two of the imprest fund payments cited above, totaling \$120, approvals were also granted after the purchases. For the four p-card payments cited, the items were purchased prior to the approval date. Additionally, during our review of p-card payments, we identified nine payments totaling \$785 to a single vendor for job postings in January, February, April, and May 2019. As support, CFB personnel used an approved p-card request form for recurring payments (dated January 11, 2019). Although we ultimately accepted this approval, we note that the form did not identify the end date, as required, to indicate the length of time that this approval was valid.

In the absence of a supervisor's or other authorized official's advance approval for all purchases, the CFB incurs an increased risk that City funds may be used for disallowed and potentially improper purposes or for services that are no longer necessary and that such inappropriate spending will go undetected.

## Recommendations

3. The CFB should ensure that its procurement procedures include detailed procedures for the pre-approval of recurring payments and for reimbursement payments from its imprest fund to payees other than employees.

**CFB Response:** "The agency is developing an approval tree to clearly delineate who should approve purchases and will incorporate it as part of our updated procedures. We will share this document with all staff members and provide training on purchasing/reimbursement policies and procedures."

4. The CFB should ensure that requisite written approvals are obtained before purchases are processed.

**CFB Response:** "The agency will provide more detailed procedures and training on the approvals process to Finance staff as well as review vouchers before payments are finalized."

5. The CFB should ensure that for recurring payments it approves only those request forms that specify an end date and should refrain from making payments after that date until it approves a new request.

**CFB Response:** "A system will be developed tracking all recurring payments and they will be reviewed on a quarterly basis. We will also revise the p-card usage form to require more detail including an end date for recurring payments."

6. The CFB should update its policies and procedures to provide its staff with additional guidance including: (a) the steps necessary for paying recurring expenditures and issuing payments other than reimbursements to employees; (b) the written approvals needed; and (c) the required supporting documentation that should be maintained on file.

**CFB Response:** “The agency is in the process of updating its policies and procedures for finance and will provide more detailed guidance to staff to ensure that all payments are reviewed before being finalized and that the appropriate backup documentation and approvals are given. We will also conduct quarterly audits of our payment files to ensure compliance.”

7. The CFB should conduct periodic reviews of its purchase and payment processes to ensure its purchasing procedures are being followed.

**CFB Response:** “Regular reviews as well as internal audits will be scheduled throughout the year including quarterly audits of our payment files to ensure compliance.”

## **Non-Adherence to Requirements for Taxi Fare Reimbursement and Long-Distance Travel**

Comptroller’s Directive #6 (*Travel, Meals, Lodging and Miscellaneous Agency Expenses*) and CFB’s *Employee Handbook & Manual* (Handbook) set forth various rules pertaining to reimbursement and payment of employees’ expenses for business-related local and long-distance travel.

Overall, the CFB did not follow the above-mentioned rules pertaining to travel-related expenditures. Of the 101 taxi reimbursements we reviewed totaling \$4,107, we found one or more deficiencies in 86. Of the 19 long-distance travel-related payments and reimbursements we reviewed totaling \$35,524, we found one or more deficiencies with 18.

A summary of the identified deficiencies is shown in Table III below.

**Table III****Summary of Deficiencies Identified with the CFB's  
Taxi-Fare and Long-Distance Travel Payments**

<b>Allowable expenditures/ requirements</b>	<b># of payments with deficiency</b>	<b>Total payments reviewed</b>	<b>% of total payments with deficiency</b>	<b>\$ of payments with deficiency</b>	<b>% of total \$ amount of payments reviewed</b>
Local Travel: Minimum 3 hours overtime, AND travel time between 8 p.m. and 6 a.m.	34	101	34%	\$1,442	35%
Local Travel: Reimbursement submitted within 10 business days	63	101	62%	\$2,361	57%
Local Travel: Written justification	32	101	32%	\$1,580	38%
<b>Total</b>	<b>129*</b>				
Long-distance travel for training: Overnight Travel Approval Form	3	19	16%	\$7,321	21%
Long-distance travel: Approval received 30 days in advance	4	19	21%	\$5,198	15%
Long-distance travel: Written justification	4	19	21%	\$8,697	24%
Long-distance travel for training: Written, dated synopsis submitted within 14 business days for long distance travel conferences attended	17	18	94%	\$33,923	96%
<b>Total</b>	<b>28*</b>				

\*Column will not add up to 86 (for local travel) or 18 (for long-distance travel); some payments were disallowable for multiple reasons.

Specific deficiencies are discussed below:

*Taxi Reimbursements Did Not Meet the Overtime and Travel Time Requirements*

According to the CFB Handbook (section on Night Transportation) and Comptroller's Directive #6, Section 4.6.1 (4), the use of a taxi or car service may be appropriate, including, as relevant here, when an employee is required to work three hours or more of overtime, and the workday, including the overtime, ends after their official working hours, and this results in travel between 8:00 p.m. and 6:00 a.m.

Of the 101 local taxi reimbursements to employees, the documented conditions in 34 instances, totaling \$1,442, did not meet the two-part requirement of (1) an employee's working three hours or more of overtime, with (2) the travel occurring between 8:00 p.m. and 6:00 a.m. For 32 of these instances, employees did not work the required overtime, and for the remaining 2 instances, the employees did not meet either of the two requirements. CFB's written procedures do not include a requirement that an employee's work hours must be reviewed to confirm that the required three hours of overtime were worked before reimbursing employees for taxi fares.

#### *Missing Written Justifications for Taxi Use*

Comptroller's Directive #6, Section 4.6.2 also requires that the reimbursement request describe the specific reason for each use.

Thirty-two of the 101 local taxi reimbursements totaling \$1,580 lacked written justification specifying the reason for each use.

#### *Documented Synopsis for City-paid Overnight Travel Not Submitted Timely or at All*

According to both the Handbook and Directive #6, Section 7.5, if an employee attends a training, educational, or professional conference that requires overnight travel, a brief synopsis of the relevant subject matter that was covered must be submitted to the Agency Head or Designee within 14 business days of the employee's return, and it must be available for City Comptroller's audit.

Of the 18 employees who attended long-distance trainings/conferences totaling \$35,253 during our audit scope period, 10 employees did not submit a written synopsis. For the 8 employees who did submit written synopses, only one submitted it within the required 14 business days. Of the remaining 7 employees, 2 submitted synopses after 14 business days—1 after 15 days and 1 after 55 days; and 5 submitted synopses that were not dated. Therefore, we could not say whether the 5 undated synopses were submitted within 14 business days after their return. CFB officials informed us that in lieu of the synopsis the attendees gave verbal presentations at audit staff meetings. However, CFB officials stated that the agency does not maintain minutes of such meetings, so the CFB lacked documentation to support the officials' assertion.

#### *Reimbursement Requests Submitted Late*

Comptroller's Directive #6, Section 18.1, states that employees should submit reimbursement requests within 10 business days after either incurring the expenditure or returning from a trip, whichever is later.

Of the 101 local travel reimbursement requests that employees submitted, 63 requests totaling \$2,361 were submitted late—57 of these requests were at least 5 business days late, up to a maximum of 60 business days.

#### *Written Travel Requests Incomplete or Submitted Late*

Comptroller's Directive #6, Section 5.4, states that employees should submit written travel requests 30 or more days in advance of a planned trip to enable them to take advantage of all available discounts and best passenger fares. The written travel request must also describe how the travel provides a specific educational or other City benefit that cannot be gained in any other manner, or within New York City or other Local Travel destination. Additionally, the CFB requires that any employee seeking approval for overnight travel-related expenditures complete the agency's Overnight Travel Approval Form and obtain approval from that employee's Unit Head (or an Executive Staff Member), and the Executive Director.

Of the 19 employees with long-distance travel-related payments, 4 employees did not submit the request for the training at least 30 days prior to the training day; another 4 employees who

attended an Association of Local Government Auditors (ALGA) training session (including three employees who also did not submit the Overnight Travel Approval Form) did not include a justification with their travel request. According to the CFB officials, the former Assistant Executive Director for Campaign Finance Administration determined who attended the ALGA training sessions and worked with Administrative Services to coordinate travel arrangements. Because that Assistant Executive Director no longer works at the CFB, current officials stated that they are not able to say whether justifications were documented and where that documentation might have been maintained. However, the CFB was unable to produce any such documentation in connection with this audit.

Without reviewing an employee's timesheet to determine whether the employee met the work hour requirements for reimbursed taxi travel or requiring employees to submit the prescribed written justifications for City-reimbursed business travel, the CFB incurs an increased risk of reimbursing employees for ineligible expenses. Through its practice of waiving the required justification for overnight travel to a particular annual training conference, the CFB incurs an increased risk that such City-paid travel will continue even if circumstances change and the benefits of the training conference can be obtained through other more economical means, resulting in an unnecessary expense for the City. In addition, without obtaining proper justification, the CFB risks potentially paying inappropriate payments for expenses not related to appropriate agency business.

## Recommendations

8. The CFB should ensure that all travel-related expenditures (local and long-distance travel requests) include written justifications as set forth in Comptroller's Directive #6.

**CFB Response:** "The agency will provide more detailed procedures and training on travel-related expenditures to Finance staff. The agency will revise its process for long-distance conference attendance including developing a checklist for attendees and travel coordinators to complete. The agency will build in a review process prior to any voucher payments being finalized."

9. The CFB should ensure that local and long-distance travel expenses paid by the agency meet the conditions established in the CFB Handbook and Comptroller's Directive #6.

**CFB Response:** "All policies and procedures are being reviewed to ensure compliance with the CFB Handbook and Comptroller's Directive #6. Additional training will be provided to staff on local and long-distance travel expenses policies and procedures. The agency will revise its process for long-distance conference attendance including developing a checklist for attendees and travel coordinators to complete. The agency will build in a review process prior to any voucher payments being finalized."

10. The CFB should ensure that the attendees at long-distance training conferences submit dated, written synopses within 14 business days of returning from such training.

**CFB Response:** "The agency will revise its process for long-distance conference attendance including developing a checklist for attendees and travel coordinators to complete. Training will be provided to all staff on the updated process."

## Incorrect Object Code Use

Comptroller's Directive #24, *Agency Purchasing Procedures and Controls*, Section 6.0, requires that agencies charge expenditures to the appropriate accounting and budget codes, which includes charging payments to the correct object codes.

Of 126 miscellaneous payments and p-card transactions reviewed, the CFB charged 24 (19 percent) to incorrect object codes. Fourteen payments totaling \$1,798 out of the 69 miscellaneous payments we reviewed totaling \$974,904, were recorded under incorrect codes. As stated previously, the bulk of those payments relate to a \$950,000 payment for postage. Of the 57 p-card transactions totaling \$25,105 that we reviewed, 10 payments totaling \$3,493 were recorded under incorrect object codes.

CFB officials stated that the agency had never suspected that the object codes being used were incorrect. According to officials, the former Deputy Chief of Administration Services—the person responsible for processing CFB's payments before leaving the agency in July 2020—had been using these codes for at least 12 years. Inaccurate object code classification can cause an inaccurate analysis of the OTPS budget and thus compromise budget planning.

### Recommendation

11. The CFB should ensure that OTPS payments are recorded under the correct object codes.

**CFB Response:** "The Finance staff will review all purchases/payments together to ensure that the correct object codes are being used. Though this will initially be time consuming, this will allow the entire staff to become familiar with the proper codes and avoid an undue dependence on the institutional knowledge of any one individual."

## Inappropriate Use of Miscellaneous Payment Voucher Classification

Comptroller's Directive #24, *Agency Purchasing Procedures and Controls*, Section 6.3, states that miscellaneous payment vouchers may be used only when estimated or actual future liability is not determinable and when a contract or another Purchase Document is not required or applicable. The section also identifies examples of inappropriate uses of miscellaneous payment vouchers (PVMs) that include payments for postal services.

For Fiscal Year 2019, we judgmentally selected one and randomly selected 68 miscellaneous voucher payments totaling \$974,904 for review. We found that the CFB appropriately used miscellaneous payment vouchers for 62 (90 percent) of the 69 payments. However, these 62 payments totaled only \$24,480, which represented 3 percent of the dollar value of the vouchers reviewed.

The bulk of the remaining \$950,424 the CFB paid with the use of miscellaneous payment vouchers was a \$950,000 payment the CFB made to the U.S. Postal Service on September 7, 2018 for postage. The CFB should have instead used a non-commodity purchase order, followed by a non-commodity encumbrance payment request against that purchase order. A CFB official informed us that the CFB was later informed that the agency was incorrectly using miscellaneous payment vouchers for postage, and beginning in July 2019, the CFB started using the appropriate



non-commodity encumbrance. The remaining 6 payments totaling \$424 consisted of payments to American Express for credit card purchases of food that should have been purchased through the agency's imprest fund.

The improper use of miscellaneous vouchers contributes to the distortion of City books of account by understating the City's known obligations.

## Recommendation

12. The CFB should review and follow policies set forth by Directive #24 and ensure to only use miscellaneous payment vouchers for allowable purposes.

**CFB Response:** "The agency is in the process of updating its policies and procedures for finance and will provide more detailed guidance to staff as well as conduct quarterly audits to ensure compliance."

## CFB's Policies and Procedures Need Updating

According to Comptroller's Directive #1,

Internal controls provide reasonable assurance that management's objectives, including the safeguarding of its assets, are being achieved and should be documented in management administrative policies or operating manuals.

Although the CFB's Handbook and its policies and procedures for its procurement and payment processes give the general steps for its fiscal personnel to follow, they lack details and direction for some key fiscal procedural steps and requirements. For example, the CFB's procedures do not identify the necessary forms, written approvals, and supporting documentation for miscellaneous payment vouchers and certain other types of payments including maintenance agreements, subscriptions, and non-computer equipment purchases. In addition, the CFB's procedures do not identify the approvals needed when paying fees directly to vendors for employees' professional licenses, continuing education, and registrations for out-of-state training.

In the absence of sufficiently detailed written policies and procedures for the above-mentioned aspects of the CFB's procurement process, CFB management lacks assurance that its policies and procedures are properly communicated and applied in the related procurements and payments. Furthermore, the CFB is hindered in holding employees who consistently fail to follow appropriate policies accountable.

## Recommendation

13. The CFB should update its written policies and procedures to include greater detail and specific requirements to address the deficiencies identified in this report.

**CFB Response:** "The agency appreciates the lessons learned from this audit and will implement the recommendations including updating our written policies and procedures. We will build in team review meetings ensuring that we are not dependent on the institutional knowledge of any one individual, but instead on written policies and procedures."

## 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. 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 audit scope period was July 1, 2018 to December 3, 2020.

To obtain an understanding of the policies, procedures, and regulations governing CFB's OTPS expenditures, we reviewed and used as criteria:

- Comptroller's Directive #1, *Principles of Internal Control*;
- Comptroller's Directive #3, *Procedures for the Administration of Imprest Funds*;
- Comptroller's Directive #6, *Travel, Meals, Lodging and Miscellaneous Agency Expenses*;
- Comptroller's Directive #24, *Agency Purchasing Procedures and Controls*;
- Comptroller's Memorandum #01-1, *Guidelines for Use of Procurement/Purchasing Cards*;
- Comptroller's Memorandum #14-1, *Updates to Comptroller's Memorandum #01-1, Guidelines for Use of Procurement/Purchasing* (September 11, 2013);
- Comptroller's Memorandum #2015-1, *Update to Comptroller's Directive #24 - Agency Purchasing Procedures and Controls* (April 1, 2015);
- Procurement Policy Board rules;
- DCAS' *Citywide Purchasing Card (P-Card) Policies and Guidelines* (August 2018);
- FMS Report ID: CWA-OBJDSC-001, Object Class Descriptions;
- CFB's *Policies and Procedures 2016*;
- CFB's *Procurement Procedures* (August 29, 2019);
- CFB's *P-card Policies and Procedures*;
- CFB's *Employee Handbook and Manual*;
- CFB Intra-Agency Memorandum on Contract Procedures (dated October 6, 2014);
- *CFB Payment Procedures – Issuing Public Funds Payments to Candidates & Penalty Payments to the Comptroller via Electronic Fund Transfer (EFT) and Payment by Check (QuickBooks)*;
- *CFB Procedures for Issuing a Laptop*; and
- *CFB Procedures for Purchasing and Upgrading Computer Mobile Electronic Equipment*.

In addition, we reviewed the information on campaign finance activities on the following topics:

- Campaign Finance Act;
- CFB rules;

- Campaign Finance handbook; and
- Citywide Financial Summary page, which summarizes the private and public funds received by each candidate per election cycle.

To obtain an understanding of the CFB's organizational structure as it related to the OTPS expenditures, we reviewed the CFB organization chart to identify the reporting structures of the units and the personnel involved in the approval, purchasing, reconciliation, and payment processes.

To obtain an understanding of staff responsibilities and internal control structure over the CFB's purchasing and payment processes, we conducted walkthroughs of the purchasing and payment processes on August 22, 2019, and of the campaign finance processes on August 18, 2020. We met with the following key agency personnel:

- Chief of Staff;
- Deputy Chief of Administrative Services;
- Finance Manager;
- Special Projects Administrator;
- Operations Coordinator;
- Facilities Manager;
- Director of Human Resources;
- Payroll Manager; and
- Director of Auditing and Accounting.

To gain an understanding of the purchasing, payment, and reimbursement approval processes, we reviewed the following CFB forms and related information:

- Request for Expense Reimbursement form;
- P-card use form;
- American Express card use form;
- Systems Service Request Purchase form;
- Overnight travel request form;
- CFB YouTube recordings of the CFB's Board approval of campaign finance payments;
- Electronic Payment Authorization (EPA) sheet; and
- Summary Payment Report.

We independently generated reports from New York City's Financial Management System (FMS) of the CFB's OTPS payments from July 1, 2018 to June 30, 2019. During Fiscal Year 2019, the CFB recorded 840 payments in FMS, totaling \$14,289,949. The OTPS payments pertaining to the CFB's imprest fund and miscellaneous payment voucher use, p-card purchases, purchasing of computers and computer-related items, and campaign finance payments, and that were the subject of this audit, totaled \$10,783,826.

We compared the FMS entries with the CFB's OTPS book, which is used by the CFB to track its OTPS expenditures, to ascertain whether all transactions were accurately recorded.

We reconciled entries in the CFB's Fiscal Year 2019 imprest fund checking account register with the CFB imprest fund FMS entries to determine whether total dollar amount recorded in FMS was accounted for. To determine whether the CFB adhered to applicable policies and procedures, we randomly selected and reviewed three months of the Fiscal Year 2019 imprest fund payments as recorded in the CFB check register; the months of July 2018, December 2018, and March 2019 were selected having a total of 29 payments valued at \$3,465. We also reviewed the items and services purchased to determine whether they were available in the DCAS Central Storehouse or through DCAS Requirement Contracts. In addition, we determined whether the CFB was in compliance with Comptroller's Directive #3 reconciliation procedures and had adequate segregation of duties over the imprest fund functions.

To determine whether the CFB adhered to the applicable City regulations and its own policies and procedures over p-card use, we randomly selected two of the six payment packages submitted for p-card reimbursements in Fiscal Year 2019. These two selected packages covered 14 p-card entries and included 57 individual purchases, accounting for \$25,105 (45 percent) of the \$55,867 in reimbursements made that year. We also determined whether the CFB maintained p-card agreements for each p-card holder and Agency Program Administrator Agreement.

To determine whether the CFB adhered to applicable City regulations and with its own policies and procedures for the purchases of computers and computer-related equipment, we selected for review 16 payments (totaling \$514,593) from the 46 payments (totaling \$621,553) recorded under object codes 199 and 332 in FMS during Fiscal Year 2019. The 16 payments were judgmentally selected—the seven largest and seven smallest payments made during the year and two zero dollar-value payments.

To determine whether the CFB adhered to Comptroller's Directive #24 and its own policies regarding miscellaneous payment voucher use, we selected and reviewed 26 miscellaneous voucher payment packages totaling \$974,904—1 judgmentally selected payment valued at \$950,000, and 25 randomly selected payments totaling \$24,904. These 26 packages included 69 individual payments.

During our review of the sampled imprest fund and miscellaneous voucher payments, we identified 101 taxi fare reimbursements totaling \$4,107—42 payments totaling \$1,992 were paid from the imprest fund, and 59 payments totaling \$2,115 were paid using miscellaneous payment vouchers. To determine whether the CFB reimbursed its personnel for taxi fare according to NYC Comptroller's Directive #6 and its own policies and procedures, we reviewed the supporting documentation for each reimbursement, including any written justifications included in the reimbursement request, and the relevant personnel's work hours as recorded in NYC's centralized timekeeping system, CityTime.

Additionally, during our review of the sampled imprest fund, miscellaneous voucher payments, and p-card payments, we identified 19 payments related to long-distance travels totaling \$35,524. To determine whether the CFB adhered to NYC Comptroller's Directive #6 regulations for long-distance travel, we requested and reviewed the registration and associated travel-related documentation for all 19 long-distance travel payments.

To determine whether all required approvals were obtained before the campaign finance payments were made, and that the CFB Board-approved amounts were paid correctly to candidates under the City's Campaign Finance Charter, we selected 5 of the 15 payments packages, totaling \$8,338,275, recorded in Fiscal Year 2019. The 5 payment packages were judgmentally selected, comprising the 5 largest number of candidates paid, accounting for 31 (67 percent) of the 46 individual payments, and 71 percent of the value, totaling \$5,949,537. (This audit did not include a review of the campaign finance candidates' submissions for public fund

matching, or the CFB's review and approval processes of these submissions, nor did it review or assess the appropriateness of the calculated payments.)

The results of our sampled tests, while not statistically projected to their respective populations, provided a reasonable basis, along with other analyses, for us to evaluate and to support our findings and conclusions, and to assess the adequacy of the CFB's controls over its OTPS expenditures.

**New York City Campaign Finance Board**100 Church Street, 12<sup>th</sup> Floor, New York, NY 10007

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Executive Director

June 9, 2021

Ms. Marjorie Landa  
Deputy Comptroller for Audit  
Office of the Comptroller  
1 Centre Street, Room 1100  
New York, NY 10007

Dear Ms. Landa:

The Campaign Finance Board (“CFB”) has reviewed the Comptroller’s Draft Audit Report on the Other Than Personal Services Expenditure Practices dated May 25, 2021. We would like to take this opportunity to thank the Comptroller’s Office for bringing to light a deficiency in the management of some of our finance functions. We take accountability very seriously and value the experience that the audit process has given us. As an agency, we are evaluating the controls we had in place and will make the needed corrections in compliance with the report’s recommendations.

Prior to spring, 2019 the agency’s finance functions were housed in the Human Resources and Administrative Services unit. The CFB recognized the need to separate the finance functions from the unit and designate staff with specific finance responsibilities. The agency took initial steps by hiring a Finance Manager (July, 2019) and developing purchasing policies and procedures (August, 2019). The CFB had also planned to hire a Director of Finance, but with the start of this audit, the agency elected to hold off in establishing the unit in order to learn from the findings and recommendations. As you may be aware, the audit took longer than expected due to the pandemic. During this time, the Deputy Chief of Administrative Services, who was primarily responsible for the finance functions for the agency, retired. The CFB is in the process of hiring a Director of Finance and establishing a separate unit to manage all fiscal functions.

As part of building this new unit, the agency will implement corrective actions in response to the recommendations from this audit. Below please find the agency’s responses to the recommendations listed in the Preliminary Determination.

**Recommendation:** The CFB should ensure that it pays vendors and reimburses employees for eligible expenses only when it received original, detailed invoices or receipts and that it maintains them on file.

**Corrective Action:** The agency is in the process of updating its policies and procedures for finance and will provide more detailed guidance to staff to ensure that all payments are reviewed before being finalized and that the appropriate backup documentation and approvals are given. We will also conduct quarterly audits of our payment files to ensure compliance.

**Recommendation:** The CFB should ensure that its policies and procedures include detailed instructions to Administrative Services staff concerning the documents they must have and retain on file before processing different types of payments, including, but not limited to those for goods, services, licenses, and recurring subscriptions.

**Corrective Action:** The agency is in the process of updating its policies and procedures for finance and will provide more detailed guidance to staff to ensure that all payments are reviewed before being finalized and that the appropriate backup documentation and approvals are given. We will also conduct quarterly audits of our payment files to ensure compliance.

**Recommendation:** The CFB should ensure that its procurement procedures include detailed procedures for the pre-approval of recurring payments and for reimbursement payments from its imprest fund to payees other than employees.

**Corrective Action:** The agency is developing an approval tree to clearly delineate who should approve purchases and will incorporate it as part of our updated procedures. We will share this document with all staff members and provide training on purchasing/reimbursement policies and procedures.

**Recommendation:** The CFB should ensure that requisite written approvals are obtained before purchases are processed.

**Corrective Action:** The agency will provide more detailed procedures and training on the approvals process to Finance staff as well as review vouchers before payments are finalized.

**Recommendation:** The CFB should ensure that for recurring payments it approves only those request forms that specify an end date and should refrain from making payments after that date until it approves a new request.

**Corrective Action:** A system will be developed tracking all recurring payments and they will be reviewed on a quarterly basis. We will also revise the p-card usage form to require more detail including an end date for recurring payments.

**Recommendation:** The CFB should update its policies and procedures to provide its staff with additional guidance including: (a) the steps necessary for paying recurring expenditures and issuing payments other than reimbursements to employees; (b) the written approvals needed; and (c) the required supporting documentation that should be maintained on file.

**Corrective Action:** The agency is in the process of updating its policies and procedures for finance and will provide more detailed guidance to staff to ensure that all payments are reviewed before being finalized and that the appropriate backup documentation and approvals are given. We will also conduct quarterly audits of our payment files to ensure compliance.

**Recommendation:** The CFB should conduct periodic reviews of its purchase and payment processes to ensure its purchasing procedures are being followed.

**Corrective Action:** Regular reviews as well as internal audits will be scheduled throughout the year including quarterly audits of our payment files to ensure compliance.

**Recommendation:** The CFB should ensure that all travel-related expenditures (local and long-distance travel requests) include written justifications as set forth in Comptroller's Directive #6.

**Corrective Action:** The agency will provide more detailed procedures and training on travel-related expenditures to Finance staff. The agency will revise its process for long-distance conference attendance including developing a checklist for attendees and travel coordinators to complete. The agency will build in a review process prior to any voucher payments being finalized.

**Recommendation:** The CFB should ensure that local and long-distance travel expenses paid by the agency meet the conditions established in the CFB Handbook and Comptroller's Directive #6.

**Corrective Action:** All policies and procedures are being reviewed to ensure compliance with the CFB Handbook and Comptroller's Directive #6. Additional training will be provided to staff on local and long-distance travel expenses policies and procedures. The agency will revise its process for long-distance conference attendance including developing a checklist for attendees and travel coordinators to complete. The agency will build in a review process prior to any voucher payments being finalized.

**Recommendation:** The CFB should ensure that the attendees at long-distance training conferences submit dated, written synopses within 14 business days of returning from such training.

**Corrective Action:** The agency will revise its process for long-distance conference attendance including developing a checklist for attendees and travel coordinators to complete. Training will be provided to all staff on the updated process.

**Recommendation:** The CFB should ensure that OTPS payments are recorded under the correct object codes.

**Corrective Action:** The Finance staff will review all purchases/payments together to ensure that the correct object codes are being used. Though this will initially be time consuming, this will allow the entire staff to become familiar with the proper codes and avoid an undue dependence on the institutional knowledge of any one individual.

**Recommendation:** The CFB should review and follow policies set forth by Directive #24 and ensure to only use miscellaneous payment vouchers for allowable purposes.

**Corrective Action:** The agency is in the process of updating its policies and procedures for finance and will provide more detailed guidance to staff as well as conduct quarterly audits to ensure compliance.

**Recommendation:** The CFB should update its written policies and procedures to include greater detail and specific requirements to address the deficiencies identified in this report.

**Corrective Action:** The agency appreciates the lessons learned from this audit and will



implement the recommendations including updating our written policies and procedures. We will build in team review meetings ensuring that we are not dependent on the institutional knowledge of any one individual, but instead on written policies and procedures.

In reviewing the findings of the audit, we have determined that we were correct in our decision to establish a separate Finance unit. We will now take the time to build a strong infrastructure to ensure compliance with the CFB Employee Handbook and Comptroller's Directives. The Finance unit is also developing an intranet page as a resource for staff to review purchasing policies and procedures.

We are in the end stages of hiring a Director of Finance and the current staff are meeting regularly to develop better processes as we prepare for the new fiscal year as well as developing more robust and detailed written procedures and policies. The new Director of Finance and Chief of Staff will work to ensure that roles are clearly defined, but collaborative to ensure that there is no complete dependence on any one individual, but instead on our written guidance. We thank the Comptroller's office for bringing these deficiencies to our attention. We would also like to ask if the auditors who worked on these findings would review our new written policies and procedures when we are done to ensure that we have complied with all of the recommendations.

The CFB strives to continuously improve its work practices and procedures. As such, both I and the Finance team greatly appreciate in the opportunity to fully participate in the audit process.

If you have any questions regarding our response, please feel free to reach out to Kitty Chan, Chief of Staff.

Sincerely,



Amy Loprest

- c. Kitty Chan
- Justin Brown
- Michael Lamanna
- Naheed Amin
- John Akinyemi