



Solutions

March 2004 ♦ Volume VI ♦ Issue 2

Office of the State Comptroller

Alan G. Hevesi

Division of State Services

Joan Sullivan Appointed Assistant Comptroller

Comptroller Hevesi announced the appointment of Joan M. Sullivan to the position of Assistant Comptroller for the State Financial Services Group in the Division of State Services. Joan previously served as Director of Contracts.



During her tenure as Director of Contracts, Joan demonstrated outstanding leadership skills, foresight and initiative. Through the accomplishment of several major process and technology improvements, she successfully transitioned a formerly control-oriented environment to one that

Continued on page 6

Procurement Training Opportunities

The Office of the State Comptroller's (OSC) Bureau of Contracts offers a myriad of training opportunities in the area of contract preparation and management to those involved in procuring goods and services within New York State.

During the last three years, the Bureau of Contracts has become the leader in providing up-front technical assistance to agencies across New York State. In the last fiscal year alone, Bureau staff trained a total of 2,543 agency staff, encompassing 4,011 training hours. Of that total, 1,494 hours were spent training staff in areas outside of the Capital District, including New York City, Syracuse, and the Adirondack Region.

Since procurement involves statutorily-based concepts, such as best value, competitive bidding, and prompt contracting, it can be a challenging discipline to master. We strongly suggest that you attend one or several of our training sessions that are designed to take the mystery out of procurement.

For more information about training opportunities, please read the article "An Ounce of Prevention is Worth A Pound of Cure" on page 4.

Many of these sessions use a case study or experiential learning approach, both of which promote effective learning. Let the Bureau of Contracts help you become a procurement expert. We look forward to hearing from you!

To request training please visit our webpage at <http://www.osc.state.ny.us/agencies/outreach/ProcureTrain.htm> and complete our Training Inquiry e-Form or if you have questions you can e-mail Annette Franchini, Team Leader, Systems Management and Project Outreach Coordinator, or Barbara Alston, Training Specialist at projectoutreach@osc.state.ny.us.

Coming Soon...

OGS Procurement Forum

June 16th and 17th

Empire State Plaza

Register at:

www.ogs.state.ny.us/registration

Inquires: OGS-PSG, (518) 474-6717

customer.service@ogs.state.ny.us

This Issue

Small Dollar Payments Stifle State Productivity * Revenue Billing and Collection
Payroll Awards * The FOCAS Project * Robert Attmore Appointed Chairman of GASB

Small Dollar Payments Stifle State Productivity

As the State struggles to overcome the crushing deficit it confronts, all agencies must examine and reassess operations to ensure resources are being used efficiently, effectively and economically. One area that needs a major focus is processing vouchers for small dollar payments. Agency finance staff spend an incredible amount of time on small dollar payments. Those resources could be better spent on activities that add real value to the State financial management system.

The Office of the State Comptroller (OSC) analyzed payments made during the last year and identified over 2.7 million payments, totaling over \$8 billion, which could be paid as credit card transactions. However, only 6,839 of these payments, totaling \$57 million (0.67 percent of the \$8 billion), were actually paid by credit card. Making more payments-especially those for small amounts-by credit card would save money without sacrificing controls.

An American Express study shows the cost of processing a transaction using the traditional purchasing system is \$67. By comparison, the per transaction processing cost using a credit card is \$11. Significant State resources could be devoted to other priorities if credit cards were used more extensively in New York State.

But what about the controls in the traditional system that prevent improper transactions from occurring? This system, which includes a purchase request, purchase order, invoice,

receiving report and voucher, is appropriate for major purchases that need to adhere to the State's laws, rules and regulations. However, using it for small dollar payments is costly, inefficient and time consuming. In addition, delays in the process cause employees to order in larger than necessary quantities and store the items purchased as inventory to compensate for time consumed by the purchasing process.

Using the traditional system for small dollar purchases is a costly way to control expenditures representing less

- 63% of the payments covered amounts less than \$250, and represent about 1.3% of the dollars spent
- 39% of the payments covered amounts under \$67 (the cost to process a traditional purchasing transaction), represent 0.3% of the dollars spent
- OSC processed 881 payments under \$1
- OSC processed a one 1¢ payment

than 1.4% of total expenditures and is not in the State's best interest. A more effective system for small purchases is one that focuses on detection, rather than prevention controls.

Prevention controls are important to the management process. To the extent a problem can be prevented, the more comfort management takes in ensuring resources are used appropriately. Sometimes prevention controls are critical. For example, NASA needs to prevent the Space Shuttle from catastrophic failure because astronauts' lives are at stake. In other cases, though, the cost to prevent a problem is so high it is not cost beneficial. Such is the case with small dollar purchases.

It is important to note that the move to detection controls with the State's credit card program requires agency management to revamp control systems. Here are some detection control issues to consider:

- Credit cards should be provided to program and support staff who need to make purchases – not just to finance office or purchasing department staff. This also means the credit cards should go to support staff making purchases, not to the manager!
- A budget should be provided to the operating unit so unit managers know their available resources and work toward spending within the budgeted amounts.
- We use smart cards that can have limits assigned to the card to prevent unrestrained spending. Those limits should be assigned based on necessary spending patterns for the operating unit and for the person to whom the card is assigned.
- Instead of processing paper (much of which can be fraudulently produced in today's environment of scanners, color copiers, color printers and access to corporate logos on the Internet), finance office staff need to identify improper purchases by looking for trends, patterns or outliers based on the data provided by Citibank. The State Comptroller's Bureau of State Expenditures can train you to do these analyses.
- Disciplinary action, including possible prosecution needs to be

Continued on page 3

Revenue Billing and Collection

In our last two issues, several articles concentrated on the problems that small agencies and authorities have encountered in their payroll and cash handling operations. In this issue, we will discuss common issues in the revenue area, focusing on billing and collection processes. The primary focus of internal controls over the billing and collection process should be to ensure that revenues are billed correctly and on time, and that the funds are collected timely and recorded properly in the accounting records. All the entities we visited billed their fees and services accurately and timely. However, many of these agencies had not established good systems for collecting the amounts owed to them. As a result, they were not collecting all available revenues in a timely fashion.

Most entities require payment at the time services are rendered. However, some entities bill their clients for items such as rents or recurring fees and licenses. The key requirement for collecting these revenues timely is a good accounts receivable system. The system should provide management with accurate information on the length of time that

accounts have gone unpaid, and prescribe specific actions that employees should take to collect the past due amounts. It is critical that entities act early and consistently to collect overdue balances since the older an account becomes, the less likely it is to be collected. Ultimately, the entity may have to write off these accounts as losses.

Good systems normally provide an aging of outstanding balances, most often grouped in periodic intervals such as: **Current or Less than 30 days; 30 to 60 days; 61 to 90 days; and Over 90 days.** For each of these aging levels, the entities should define specific actions to be taken, such as sending a second bill; sending a third bill with a warning that the account will be turned over to a collection agency; and finally, sending a notice that the amount has been turned over to collection. In addition, management should maintain historical data to monitor individual payment histories and determine whether certain clients should be denied future credit.

In our visits, we found some entities had significant numbers of accounts that

Audit News

were past due for extended periods. Some accounts had been outstanding for over 1,000 days. At most locations, we found these problems occurred because management had not effectively communicated expectations to employees. Some entities had not established formal policies and procedures governing the accounts receivable process. Others had established accounts receivable systems, but had not defined thresholds at which specified actions should be taken to collect overdue accounts. As a result, staff members were not always clear about their role in the system. Further, because management often did not monitor the system to ensure it was functioning as intended, staff had stopped billing some overdue accounts entirely, and had simply sent the same bills to other overdue clients month after month. Remember, communication and monitoring systems are as critical to an effective system of internal controls as the control procedures themselves.

In the next issue, we will continue our discussion with a focus on some common problems identified in the equipment and asset control functions.

Small Dollar Payments Stifle State Productivity

Continued from page 2

targeted to cardholder abusers. Too often in the past, we have put restrictive rules in place based on the improper actions of a small group of people. The vast majority of State staff does a good job. We need to give them the tools they need to get the job done easily.

The State Comptroller's Office is willing to help you develop an alternative control system to enable your staff to carry out the mission of your organization

in an efficient, effective and economical manner.

Please feel free to contact Alison Pingelski at (518) 474-3566, apingelski@osc.state.ny.us or Kara Mitchell at (518) 486-5862, kmitchell@osc.state.ny.us for more information on the Citibank Credit Card program and appropriate control systems for the program, or visit our web site at www.osc.state.ny.us/agencies/index.htm.



Sign Up Now!
For Citibank Credit Card Program
Information go to
www.osc.state.ny.us/agencies/index

An Ounce of Prevention is Worth A Pound of Cure

These are certainly trying times for New York State. With our current fiscal situation, and the hiring freeze, most agencies are just trying to keep afloat with an ever-increasing workload and less staff. Consequently, you may think that the last thing you have time for is procurement training. But take it from us—now it is more important than ever!

Despite popular belief, we really are on your side! Yes, the Office of the State Comptroller is tough at times, but as the “fiscal watchdog” of New York State procurements, we have to be. We all share the same common goal: to procure quality goods and services for the State at the best possible value or price. As you know, a large procurement can take several months to complete. If staff is effectively trained in procurement development and management, then the chance of making errors is substantially reduced along with the potential for bid protests and costly, time-consuming re-bids. Up-front procurement training also promotes the development of accurate contract documents that expedite the Bureau of Contracts’ review and approval process.

The Bureau of Contracts supports agency requests for training through Project Outreach, which is a customer service initiative designed to provide State agencies with both custom and standardized technical assistance.

A brief description of the training modules the Bureau offers follows this article. If the standard courses listed do not quite meet your agency’s needs, Project Outreach staff will gladly work with you to create customized training sessions. In addition to on-site training, we also have the technology available to offer training through video-

conferencing, and we are exploring the possibility of recording training sessions to be shared with agencies on an as-requested basis.

If your agency is interested in receiving training through Project Outreach please visit our webpage at <http://www.osc.state.ny.us/agencies/outreach/ProcureTrain.htm> and complete the Training Inquiry e-Form. If you would like more information about Project Outreach please contact projectoutreach@osc.state.ny.us.

Annette Franchini, Team Leader, Systems Management Team and Project Outreach Coordinator
afranchini@osc.state.ny.us

Barbara Alston, Training Specialist, Systems Management Team
balston@osc.state.ny.us

BEGINNER - LEVEL I

Contract Approval Process!

This course begins with an overview of the laws, rules and regulations guiding procurement in New York State, transitions to a description of the organizational structure and workflow processes of the Bureau of Contracts. This is an excellent introduction course for anyone new to procurement.

The Procurement Method

To RFP or IFB, that is the question. RFPs, IFBs, RFQs - all these acronyms, which are as familiar as breathing to procurement veterans, are just a bunch of letters to a newbie. This is a basic, two-hour course on what procurement methodology to use and when to use it.

Procurement Stewardship Act (PSA)

This course provides a comprehensive overview of Article 11 and its

requirements, including the resulting changes to the State Finance

Law, the Procurement Guidelines, and procurements. This one-hour session is applicable to all levels of experience, but is a “must have” for new staff.

RFP FUNDamentals

This course is for the “new kid on the block” who thinks RFP stands for “Really Fancy Purchase.” It is designed to give new program area staff a solid (but not too overwhelming) overview of the do’s and don’ts of creating an effective RFP, and also provides an overview of the evaluation instrument. The class runs approximately two hours. We suggest completion of “The Procurement Method” course as a pre-requisite for this session.

IFB FUNDamentals

This class does for IFBs what RFP FUNDamentals does for RFPs. So, if you are ready to learn all there is to know about “*Invitation For Bids*,” then give us a call. This course runs approximately two hours and is just the thing for new IFB writers. As with the beginner RFP class, we suggest completion of “The Procurement Method” class as a pre-requisite for this session.

INTERMEDIATE – LEVEL II

Sole & Single Source Procurements

This half-hour class defines sole source and single source and explains how to correctly document their use in procurements. The course is geared toward business/finance and/or program staff who already have a basic



Continued on next page

An Ounce of Prevention is Worth A Pound of Cure

Continued from previous page

understanding of procurement. Since this course builds on participants' pre-existing knowledge of purchasing rules and regulations, we have rated this training opportunity as intermediate.

Mini-Bids

Wow, talk about a time-saver! Using mini-bids can be a very efficient procurement method, but only if you do it right. This half-hour class will explain how to make the mini-bid method work for you. Any business office and program staff currently working on procurements would benefit from this class.

Preferred Sources

This half-hour class explains when and how you **MUST** use a preferred source for the procurement of services and commodities. Although this is really a beginner-purchasing concept, we've rated this course as intermediate, since trainees should already have a basic understanding of commodity purchasing rules and regulations prior to participating.

Discretionary Purchasing

Well, if you're not sure what this concept means, then we strongly advise that you sign up for training! This half-hour session will delve into the options of this purchasing alternative. Any finance/business office or program staff member who currently works on procurements would benefit from this class.

Consortia Purchases

What better way to spend half an hour of your time than learning about purchasing from consortia and how this method could benefit you! Once again, we have labeled this class as intermediate because attendees must have experience in the field of procurement.

Architect & Engineering

!NEWS FLASH! Architect, engineer, and surveying services cannot be competitively "bid." Story at 11:00 or give us a call and we'll set up a class to tell you all about it in two hours or less.

Construction

In this one hour class, we will teach you how to build your own tree house to escape from all the procurement work waiting for you on your desk! Sorry, we know this sounds like fun, but this class is actually for staff who work on construction contracts.



Grants with Not for Profits (NFP)

The focus of this course is on grants with NFPs, but trainers do touch on the separate procurement rules for grants with for-profit entities. This two-hour presentation is for program staff dedicated to preparing and issuing grant proposals.

The Evaluation Instrument for Grants with NFP's

This one hour course is also geared for program staff that work on grants, but focuses on just the evaluation process.

Pitfalls

So, you think you know it all? Well, come to this session and find out! During this two-hour class, trainers use case studies and a question and answer forum to demonstrate common procurement problems and proposed solutions.

ADVANCED - LEVEL III

RFP Formulation

Not for the faint of heart, this heavy-duty, two to three hour session is devoted to the experienced RFP writer. Trainers will provide an in-depth look at what goes into (and stays out of) an effective Request for Proposal and the Evaluation Instrument that accompanies it.

Development of an RFP Evaluation Instrument

During this session, trainers will provide guidance on how to develop the instrument used to evaluate proposals received, and will focus on how to develop an instrument that follows the criteria identified in the RFP. This two-hour course usually accompanies the RFP Formulation class, depending on the size and experience level of the group.

FUTURE VISION

The Bureau of Contracts believes strongly in continuous improvement. During the coming months, the Systems Management Team's Project Outreach staff will be engaged in the following activities to make your training experience an even better one.



Video Conferencing - Training through video conferencing is a great time and money saving alternative to traveling. This training option is available to state agencies that have the necessary technology.

Taped Training Modules - Project Outreach staff is considering the

Continued on page 7

The FOCAS Project

The New CAS's Design - Optimizing Information Availability

This is the last article in a series discussing the guiding principles that were used to define the new Central Accounting System (CAS). This article will discuss how the new CAS will be designed to optimize information availability.

Information from the current system is difficult to obtain and is sometimes inconsistent. It must be compiled from multiple sources to have a complete picture. Therefore, one of the guiding principles that was developed and is being followed states that OSC will design the CAS to optimize information availability within security and privacy limits. This guideline speaks to the information that is available as well as the security and privacy of the information collected and maintained.



Our approach to information is that OSC will, wherever possible, only store personal and banking information in one location rather than in multiple systems to adhere to privacy standards and guidelines. Our approach to information will be based on the following

assumptions:

For input:

- OSC and agency representatives will define data standards for the new system.
- Organizations or agencies where data originates will be the primary data owner and will be responsible for data quality. The new system will have some built-in edit checks to help prevent erroneous or inaccurate entries.

For information (processed data):

- Users will define information needs and will share responsibility with OSC for information quality. Again, edits will be established to help prevent the entry of erroneous or inaccurate data.
- Information created as a result of a system process will be an asset of the State and generally available. We will eventually have this information accessible from the Internet and accessible for ad hoc querying.

For information outputs that are inputs to other systems:

- OSC and agency representatives will jointly define data standards.
- OSC will be the owner of the input

information and responsible for information quality.

OSC is designing the new CAS to make it easy to interface with other systems that currently share information with it. OSC is also aware and planning for data conversion efforts that may be necessary as the system is implemented.

Agency Work Group Sessions

To assist in defining these data needs and confirm our understanding of business process interfaces between the CAS and agency processes and systems, the FOCAS Team has scheduled a series of agency work group sessions. Each of the seven sessions will address specific topics and identify information needs in those specific areas.

In the next series of "Solutions" articles from the FOCAS Team, we will provide updates and share information from the agency work group sessions. If you have any questions, comments or would like information about the upcoming agency work group sessions, please e-mail the FOCAS Team at FOCAS@osc.state.ny.us.

Joan Sullivan Appointed Assistant Comptroller

Continued from page 1

emphasizes a customer-centered approach. Throughout this transition, the Bureau of Contracts continued to maintain its independent, objective role in the New York State contract approval process.

Joan has had a distinguished 29-year career in State government. She was instrumental in the development and implementation of the Prompt

Contracting Law and the Procurement Stewardship Act of 1995. For the past several years, Joan has served as a member of New York State's Procurement Council and other government-sponsored organizations. Prior to joining the Comptroller's Office, Joan spent 21 years with the former Department of Social Services, where her strong administrative and negotiation skills enabled her to rise to the level of

Director of the Office of Contract Management. Then, upon reorganization of the agency, she became Director of Administration for the Human Services Application Service Center.

Joan replaces Ruth Walters, who resigned from the Comptroller's Office in December to begin her own consulting business.

Robert Attmore Appointed Chairman of GASB

The Financial Accounting Foundation has announced that Robert H. Attmore, a former Deputy Comptroller for the Division of State Services in the New York State Comptroller's Office (OSC), has been appointed Chairman of the Governmental Accounting Standards Board (GASB), effective July 1, 2004. Mr. Attmore will succeed Tom L. Allen, who has served as GASB Chairman since 1995, and is not eligible for reappointment. The appointment was made by the Foundation's Board of Trustees, which has oversight responsibility for the GASB and the Financial Accounting Standards Board.

Mr. Attmore is currently President of Attmore & Associates in Albany, New York, where he provides consulting services to government agencies and other entities. He established his firm in 2003 after having served the State of New York for 23 years. As Deputy State Comptroller from 1986 to 2003, he

provided leadership to a staff of more than 500 employees. Previous to this post, he held the positions of Assistant Deputy State Comptroller at OSC and Director of Audit and Investigations at the State Office of Mental Health. Prior to holding those positions, he was in public accounting with the former Deloitte Haskins & Sells in New York City.

In commenting on the appointment, Robert E. Denham, Chairman of the Financial Accounting Foundation, stated: "The Foundation is very fortunate to have recruited Robert Attmore from a long list of highly qualified candidates. His experience in State accounting and fiscal matters for the State of New York should be a tremendous asset to the GASB. We also want to thank Tom Allen for the outstanding service he has provided to the GASB during the past ten years. Under Tom's leadership, the GASB has made many important contributions to governmental accounting, including the

establishment of a landmark financial reporting model, Statement 34, which is advancing the utility of financial statements."

Among his many professional activities, Mr. Attmore is a former Treasurer and Executive Board Member of the National Association of State Auditors, Comptrollers, and Treasurers; a past President and Chair of several committees of the National State Auditors Association; and an active participant in the Association of Government Accountants, the American Institute of Certified Public Accountants and the Government Finance Officers Association. He is a Certified Public Accountant and a Certified Government Financial Manager.

Mr. Attmore, a resident of Loudonville, New York, is a graduate of Villanova University where he received a bachelor's degree in accounting.

Procurement Training Opportunities

Continued from page 5

possibility of creating "canned" training tapes of our more popular training modules. Although we do prefer "live" training, locating, scheduling and fiscal constraints can be overcome using this method of knowledge transfer.

Webinars - We are also exploring web-based training as an option for Project Outreach. Stay tuned.

MEET OUR TRAINERS!

In addition to their daily contract review and approval functions, many staff within the Bureau of Contracts serve as Project Outreach trainers.

In total, the training staff in the Bureau of Contracts has over 239 years of procurement experience!



Seated from left to right are: Dan Ryan, Lisa Joyner, Trich Warner, and Mike Boivin.

Standing left to right are: Annette Franchini, Gail Thorpe, Eric Townsend, Barbara Norton, Cathy Smith, Jerry Lipfeld, Claire Grant, Arlene VanPelt, Barbara Alston, April LaMoy, Mary Shevlin, Karen VanVliet, Kathy Dominick, Susie Tucker-Ross, Patricia O'Donnell, Dan Agosto and Tim Lenehan.

Financial & Audit Solutions

Solutions is published as a customer service by the Office of the State Comptroller, Division of State Services, 110 State Street, Albany, NY 12236.

Lynn Canton
Deputy Comptroller

Joan M. Sullivan
Assistant Comptroller
State Financial Services

Jerry Barber
Assistant Comptroller
State Audit Bureau

Editor
Paul Wilkes
Director, Bureau of Financial Reporting

Materials may be freely reproduced. For more information about the content or to comment on the newsletter, contact:

Bureau of Financial Reporting
Office of the State Comptroller
110 State Street - 10th Floor
Albany, NY 12236
(518) 486-1235 or e-mail at
finrep@osc.state.ny.us

Payroll Awards

In a ceremony held at OSC headquarters on Tuesday, January 13, 2004, State Comptroller Alan G. Hevesi presented the inaugural Comptroller's Payroll Achievement Award to 19 State agencies. This historic occasion marked the first time performance measures have been used to recognize achievement in State government payroll management, and the first statewide recognition ceremony for State payroll offices.

Comptroller Hevesi presented the awards with assistance from Robin Rabii, Director of the Bureau of State Payroll Services and Steering Committee Chair of the New York State Payroll Users Group. The awards were the culmination of efforts by the Payroll Users Group and the Bureau of State Payroll Services to recognize State agencies' efforts to deliver accurate and timely payroll services to their employees.

Working together, the Payroll Users Group's Subcommittee on Performance Measures and Standards and the Bureau's Management Information and Analysis Section defined the payroll performance measures and established statewide standards. The results of these evaluations were reported to each State agency in the form of the "Agency Report Card" in October 2003.

Based upon these statistics, winners were selected in On-Time Appointments and On-Time Separations at two levels: Statewide and Agency. Within the Statewide Award category, agencies, based on high,

medium and low transaction volume levels, received awards for Outstanding or Distinguished Performance. Within the Agency Award category, an agency within each peer group or transaction volume level received an award for exceptional and/or significant improvement in performance. An Honorable Mention designation was conferred on those small volume agencies that processed all appointments or separations on time.

In his remarks at the ceremony, Dan Berry, Assistant Comptroller for Payroll and Revenue Services, remarked: "Today we are recognizing the performance of agency payroll staff whose work is most often taken for granted. Payroll is an area that does not get noticed until something is wrong. But I do know that, even though they may not always tell you, all of the 250,000 employees do appreciate it when their paycheck gets delivered to them correctly and on time."

Robin Rabii concluded: "The awards to recognize payroll performance prove that State agencies and OSC can work in partnership to assess performance, identify best practices and improve the overall quality of payroll services to New York State employees."



From left to right: Barbara Miller (OMH), Cheryle Giroux (OMH), Alan Hevesi, Miriam Lyles (Rockland Children's Psychiatric Center), Mary Larson (OMH).