

## **Sign Up Now For Your Procurement Card**

Over the last two years, New York State has developed a powerful new tool, the Procurement Card, to assist you with your purchasing needs.

**Procurement Card User Survey shows that 71% of users rated the card excellent.**

Modeled after successful programs used in the Federal government and the states of California, Virginia, and Oregon, our procurement card program began in 1996 with the awarding of the contract to American Express (AMEX).

The AMEX Corporate Purchasing Card enables cardholders to make authorized purchases directly from a vendor without processing the purchase orders or purchase authorizations otherwise required. Not only does this process enable agencies to procure needed items expeditiously, it eliminates the time, energy, and cost associated with

producing this paperwork. It also helps agencies achieve their electronic commerce goals. Procurement Cards may not be suitable for all procurement transactions, but it makes sense for those low dollar transactions that typically account for as much as 70% of the purchase orders/requisitions processed by the Comptroller's Office.

*"Procurement cards have produced significant dollar savings and our customers are better served."*

Barbara Andrus,  
Taxation & Finance

Initially, the program allowed cardholders to make purchases of \$500 or less with the Purchasing Cards. In October 1997, the maximum transaction limit was raised to equal each agency's Quick Pay Threshold. AMEX electronically tracks all Corporate



Purchasing Card purchases with detailed and customized monthly reports which are provided to both agencies and cardholders to monitor transactions. This reporting process closely mirrors the monthly billing statements issued by personal credit card companies. Use of Procurement Cards eliminates the need to issue checks to vendors and it reduces inventory storage costs as purchasing and receipt of goods is vastly expedited.

While internal controls are preserved, with the Procurement Card, accountability is enhanced and the information available to management is dramatically improved. Purchasing information can be electronically transferred to the organization's accounting system, thereby eliminating the need to manually enter data and the  
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### **THIS ISSUE**

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## State Payroll Processing Ready For 21<sup>st</sup> Century

The acronym *PaySR* no longer stands just for the Payroll System Replacement Project, but has become the name of Office of the State Comptroller's (OSC) new system that has been processing payrolls for 246,000 employees in the Executive Branch, State Legislature, Unified Court System, State University and senior colleges of the City University of New York since December. A state-of-the art, Year 2000-compliant client/server system has replaced the former legacy mainframe payroll system developed in the 1970s.

New York State has one of the largest centralized payroll operations in the world. OSC purchased People Soft software and customized the software to meet the State's complex payroll requirements, and trained about 2,000 users representing some 240 payroll locations around the State.

This massive systems and technological change was accomplished on schedule through a public/private partnership between OSC and Andersen Consulting and with the support and cooperation of the agencies, unions, retirement systems, benefit providers and other organizations that exchange information with OSC's payroll system. This has been a real team effort.

It is expected that, in the long-term, OSC's new online payroll system will provide operational efficiencies that result in both productivity savings and improved information for decision making. As with the old payroll system, OSC expects to continue to update and enhance the PaySR system in the future to address customer needs.

### High Anxiety Absenteeism at 7-Year High

A survey of over 400 companies and governmental entities revealed the rate of absenteeism increased 25% compared to last year. Family issues headed the list at 26% of all unscheduled absences followed by personal illness.

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associated errors. With software provided by the Office of the State Comptroller, management can examine activity by cardholder, supplier, supplier type, supplier location, purchase date and other categories. This information is extraordinarily difficult to gather from forms-based procurement systems.

Recent reports show that 13 State agencies are using the Procurement Card and expenditures against it are more than double what they were for the same period last year. Are you ready for better service at a lower rate?

Often, the most significant inhibitors to using the Procurement Card are concerns about adequate controls and the inevitable change that the card brings to purchasing practices. However, the agencies that

have utilized the card to date have, without exception, found the card to provide

**Typical purchase order process costs \$50-\$200.**

increased control, easier purchasing, and reduced cost. One agency reports that transactions, including the receipt of merchandise and payment, have been completed in the same time that it used to take to get a purchase order issued after a requisition was completed. Another agency indicated that its purchasing staff had been reduced through attrition, but the use of the card allowed it to continue effective purchasing, and also freed staff time to do other value added work that was not possible previously.

**Typical procurement card process costs \$5-\$20.**

### FREE SOFTWARE



The Office of General Services and the Office of the State Comptroller are making software available at no cost to all Procurement Card users. The Office of General Services (OGS) and the Office of the State Comptroller (OSC) have developed software to assist cardholders in tracking orders and reconciling to monthly AMEX

statements. The OSC software was developed by using PowerBuilder, Infomaker and Oracle RDBMS. For further information about OSC's software, contact Ann Cantore at (518) 486-1285 or e-mail at [acantore@osc.state.ny.us](mailto:acantore@osc.state.ny.us). For information about OGS's software, contact Linda Decker at (518) 474-5999.

## Making Your Trip Successful - Plan Ahead

In October we issued some major changes to travel regulations. The new travel guidelines boil down to one simple thing: if you travel on official business, we will pay for actual, reasonable and necessary expenses. There are some things that you can do when planning your travel or submitting your reimbursement voucher that will make things go smoothly. Here are some points to remember:

### TRAVEL TIPS

- Make travel arrangements in advance whenever possible.
- Use contracts that are already in place to make reservations or travel arrangements.
- Familiarize yourself with travel guidelines and agency policy.
- Have all approvals and paperwork completed before the trip.
- Know the per diem rates for the area of assignment.
- Make sure you take all forms and documentation you may need.
- Keep accurate records of expenses as they are incurred.
- Use the Corporate Card whenever possible, but use it only for official travel expenses.
- Type or print your voucher.
- Don't assume everything is easily understood. If your voucher has some unusual circumstances, make sure justifications are attached.
- Submit your voucher timely.

### Reminder

#### 1999 Mileage Reimbursement Rate

The Internal Revenue Service has announced that effective April 1, 1999 the mileage rate will be reduced to **31 cents** per mile.

## American Express Corporate Card



We have developed a second travel voucher (AC 132a) for travelers who are using the American Express Corporate Card. It is intended to help travelers and agencies with the reconciliation of charges on the American Express bill. The regular travel voucher (AC132) is still in effect. The same continuation forms, attachments, and detail sheets can be used with both vouchers. The AC132A version is not available as a multi-part form and it does not need to be ordered from OSC. It will be on the OSC website at [www.osc.state.ny.us](http://www.osc.state.ny.us) and agencies can make photocopies for their own use. If you have any questions, you should contact Linda Stewart at (518) 474-6008 or e-mail at [lstewart@osc.state.ny.us](mailto:lstewart@osc.state.ny.us).





**Save Money and Time**  
**Use OGS Travel Contracts**

OGS travel contracts currently cover travel agent services, air travel and rental cars. For information, contact Charles Holub at [www.holub@ogs.state.ny.us](mailto:www.holub@ogs.state.ny.us) or call (518) 486-2110.







## BUSINESS TRAVEL ACCOUNTS - WHAT ARE THEY?

A Business Travel Account (BTA) is an account where no American Express Card is issued. Rather, a central bill can be used for air/rail purchases for those individuals who do not have a Corporate Card. A BTA can be set up immediately for your agency by filling out a BTA application. BTA's must be used with a single travel agency. If you need an application to set up an agency BTA or more information, contact Cindy Randall, Manager, Account Development or Larry Lambright, Customer Service Representative at (716) 235-5990 at American Express.

## Changes to the Single Audit Act You Should Know About



The Single Audit Act of 1984 was amended by Congress in 1996. These amendments and Office of

Management Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, affected the State's 1998 Single Audit and resulted in several changes.

First, the threshold at which a government is required to have a single audit has increased. Now if a government expends \$300,000 or more in federal awards for the fiscal year, it must have a single audit. In addition, the definition of "expenditures" for single audit purposes has broadened to include loan proceeds, certain non-cash transactions and insurance.

Another change is the identification of a major program. Previously, a major program for New York State was defined as any program expending \$20 million or more in federal awards during the fiscal year. This affected the audit scope, since auditors apply different techniques to major versus non-major programs. Under the single audit amendments of 1996, there is a more risk based determination of major federal programs that considers both size and potential risk. Now there are four types of programs that are rated and selected as a "major" program for single audit purposes by the auditor in accordance with federal guidelines:

- Type A programs that are not deemed to be "low-risk";

- Programs specifically identified as major by a federal grantor agency;
- Type B programs selected to replace low-risk Type A programs (if any); and
- Additional programs selected to meet federal minimum audit coverage rules.

A "Type A" program for New York State is any federal program which expends 0.15 percent or more of total federal awards (\$35 million for 1998) during the fiscal year. All other programs are rated as "Type B".

The single audit amendments of 1996 also changed the number of audit reports required to be issued and also changed the presentation of program expenditures. OMB Circular A-133 now requires three auditor's reports, which include:

- The auditor's report on the fair presentation of financial statements and the schedule of expenditures of federal awards;
- The auditor's report on compliance and internal controls over financial reporting based on an audit of the financial statements (i.e., Yellow Book Report); and
- The auditor's report on compliance and internal controls over compliance applicable to each major federal award program (i.e., Single Audit Report).

Also, the name of the report has changed from the Schedule of Federal Financial Assistance to the Schedule of Expenditures of Federal Awards and the information is displayed differently. For

example, Federal programs with funds that pass through to subrecipients must disclose the CFDA number, program description and the amount passed through and programs that are a component of an audit cluster must be presented within their respective audit clusters.

These changes have placed additional administrative burdens on all State agencies. Although subrecipients receiving \$300,000 or more in federal funds are still required to have a single audit, those State agencies that relied on the single audit to monitor subrecipients receiving between \$100,000 and \$300,000 in federal funds will now have to devise an alternate means of monitoring subrecipients. If you have any questions, you can consult Circular A-133 on the OMB website at <http://www.whitehouse.gov/wh/edp/omb/grants>.





United States  
General Accounting Office

**General Accounting Office (GAO) Sets Up Internal Yellow Book Site; Advisory Council Issues Drafts of Proposed Standards Changes.** To help the audit community keep up with developments in federal government audit standards, GAO has set up a website devoted to Government Auditing Standards (the Yellow Book). In addition to the current (1994 revision) text of the standards, the site will provide the text of exposure drafts released for comment, and other information. The site is available through GAO's website, [www.gao.com](http://www.gao.com).

## Who Listens to What Auditors Have to Say?

One of the goals of the Management Audit Group is to enhance public accountability of New York State and New York City government operations by effectively communicating recommendations to improve the economy, efficiency and effectiveness of government run or supported programs. To achieve this goal, each audit report contains specific recommendations which identify actions for improving operations. But what happens to audit reports after they are issued? Do they sit on a shelf and gather dust?

To answer these questions, the Management Audit Group performs follow-up reviews to assess the extent that the report recommendations have been implemented. These follow-up reviews are usually done about one year after the audit report has been issued. During 1998, these reviews determined that 82 percent of the recommendations contained in the original audit report were either fully or partially implemented. One follow-up review identified that as a result of the action taken to implement the recommendations, over \$30 million in revenue was produced. Such results indicate that State and City government agencies find the audit reports and recommendations very useful in improving their operations.



Call Dana Newhouse at (518) 474-3271 for your copy of the Comptroller's Annual Report of Audit Results for 1997-1998.

Audit Results			
	1996	1997	1998
Reports Issued	139	141	174
Cost Savings	\$117 mil	\$111 mil	\$124 mil.
Recommendations Implemented	88%	77%	82%

## Quick Contracting Speeds Service

In an effort to improve service to our customers, the Bureau of Contracts introduced the concept of Quick Contracting.

Quick Contracting will significantly reduce the time it takes for the Office of the State Comptroller (OSC) to approve competitively bid procurements in cases where adequate competition was obtained and awards were made to the low bidder. Quick Contracting is currently successfully employed for capital construction contracts and will now be expanded to commodity and printing procurements.

In order to qualify for Quick Contracting, an agency must certify that the transaction meets certain minimum requirements (i.e., competitively bid; using Invitation for Bid (IFB); three or more

bids were received; awarded to the low bidder). Contracts that qualify for Quick Contracting will generally be processed by OSC within two days.

OSC will post audit a statistical sample of all Quick Contracting transactions. Any exceptions could restrict or rescind an agency's privilege to use Quick Contracting. Depending upon its continued success, Quick Contracting may be expanded to other procurement methods.

To learn more about Quick Contracting, refer to Procurement and Disbursement Guidelines Bulletin No. G-181. G-bulletins may be accessed by visiting OSC's website at [www.osc.state.ny.us](http://www.osc.state.ny.us).

## Go Figure

**94.6%**

The percentage of State and Local Retirement System income from investments.

**1,400**

The number of State agency bank accounts.

**\$72,000**

The taxable wage base for social security taxes in 1999, an increase of \$4,600 from 1998.

**12,897,100 shares**

The number of shares of General Electric stock held by the State and Local Retirement System, making GE the largest stock holding in the System.

**\$4.4 billion**

The value of unclaimed assets collected by the State's Abandoned Property Fund since the inception of the Fund in 1942.

**\$97 billion**

The outstanding debt of State public authorities as of December 31, 1998.

**\$480 million**

The amount paid by the State for utilities in 1998.



## Meeting the Year 2000 Challenge

Results from the eighth quarterly status survey on the State's Year 2000 Date Change Initiative have been compiled. The report includes status information on the State's "Top 40" Priority Systems, and agencies' High Priority Systems as of the end of the eighth quarter, December 31, 1998.

### "Top 40" Priority Systems

As of the end of the eighth quarter, December 31, 1998, 93% of the total effort has been completed for the top 40 priority systems. This fell short of the overall goal for the quarter, which was to reach 100% completion. It will require 3.11 person years of effort to be completed each week to reach completion by the next quarter.

### High Priority Systems

As of the end of the eighth quarter, 40 agencies report that they have 323 high priority (mission critical) systems and Year 2000 compliance work for these systems was 71% completed. Compliance efforts on 46 systems were completed this quarter, bringing the total to 171 (53%) of the 323 systems completed. This quarter's goal of completing 109 person years of effort was not met. OFT estimates it will take 12.45 person years of effort each week in order to complete all high priority compliance work by April 1999.



## **GASB Issues Statement 33 on “Nonexchange” Transactions**

In December 1998, the Governmental Accounting Standards Board (GASB) issued GASB Statement 33, which specifies the accounting and reporting for “nonexchange” transactions involving financial or capital resources. These transactions include most taxes, grants, and donations. The Statement is effective for periods beginning after June 15, 2000.

GASB explained that “in a nonexchange transaction, the government gives or receives value without directly receiving or giving equal value in exchange. When there isn’t an exchange, it can be difficult to decide when a transaction should be recognized in the financial statements. Statement 33 addresses that issue.”

The timing of financial statement recognition will depend on the nature of the nonexchange transaction as well as the basis of accounting (accrual or modified accrual). GASB identified four classes of nonexchange transactions:

- Derived tax revenues, such as sales and income taxes, will be recognized when the underlying exchange occurs on which the government imposes the tax.
- Imposed nonexchange revenues, such as property taxes and fines, will be recognized as assets when the government has an enforceable legal claim.
- Government-mandated nonexchange transactions, such as federal or state programs that are required of state or local governments, will be recognized when all eligibility requirements are met, as specified in Statement 33.
- Voluntary nonexchange transactions, such as most grants, appropriations, donations, and endowments, also will be recognized when the Statement 33 eligibility requirements are met. These requirements include contingencies.

Copies of the Statement are available from the GASB Order Department, 401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116; telephone (800) 748-0659; e-mail [gasbpubs@gasb.org](mailto:gasbpubs@gasb.org).

## **GASB Survey on the Use and Reporting of Performance Measures by State and Local Governments**

GASB, working with the National Academy of Public Administration, undertook a survey to find out the extent to which state and local governmental entities are developing, using, and reporting performance measures; how such measures are being used; and whether these entities plan to continue (or begin) to use and report performance measures in the future.

This survey was sent to over 5,000 entities, with responses received from 900, or 18%. Of those responding, 479 (53%) indicated they have developed some types of performance measures for decision making.

If you have any comments or questions about this survey or the reported results, you may contact Jay Fountain, Assistant Director of Research, at [jrfountain@gasb.org](mailto:jrfountain@gasb.org). You can download the survey results by going to the GASB homepage at <http://www.rutgers.edu/accounting/raw/gasb/survey/perfmeas>.

## **Paul Reilly Reappointed to the GASB**

**P**aul R. Reilly, a member of the Governmental Accounting Standards Board since 1995, has been reappointed to a five-year term effective July 1. Mr. Reilly was Finance Director and Comptroller of the city of Madison, Wisconsin. He served as a member of the GASB Advisory Council from 1990 to 1994 and is currently a lecturer at the University of Wisconsin, Madison.

## **Richard Tracy Named to GASB**

**R**ichard C. Tracy, Director of Audits for the City of Portland, Oregon, has been named as a member of the Governmental Accounting Standards Board, effective July 1. He replaces Barbara Hendersen, former Finance Director of Fullerton, California, who is retiring from the Board.

Mr. Tracy has been Director of Audits in Portland since 1983. Prior to that, he was with the Office of the Auditor General in the State of California. Mr. Tracy currently chairs the Governmental Auditing Standards Advisory Council of the U.S. General Accounting Office.

## **AICPA Advisory: Y2K GASB Disclosure**

**T**he AICPA has advised its auditor members to be very cautious about being associated with the Year 2000 disclosures required by GASB’s Technical Bulletin 98-1. The AICPA suggests that the auditors may need to consider issuing qualified opinions (scope limitations) with respect to such disclosures. The AICPA has concerns that the required disclosures are neither assertable by management nor verifiable by auditors. The Office of the State Comptroller has been advised by KPMG Peat Marwick that a qualified opinion (scope limitation) will likely be issued for the State’s 1998-99 fiscal year financial statements.

## Financial & Audit Solutions

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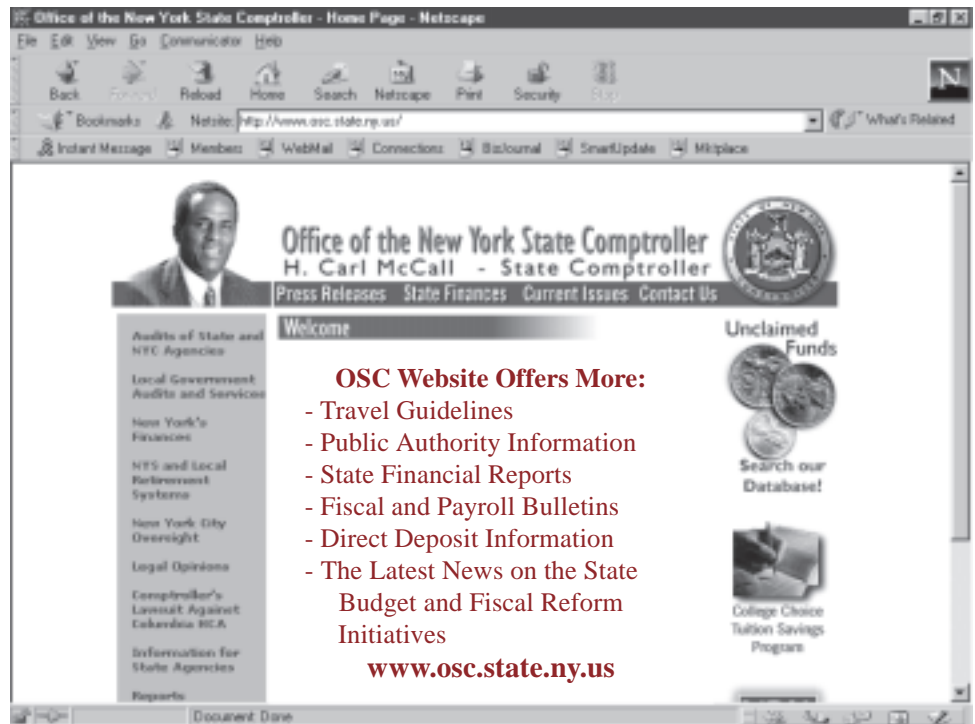
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