



AUDIT OF MTA BUS COMPANY USE OF PROCUREMENT CARDS

Barry L. Kluger
MTA Inspector General
State of New York

OVERVIEW

In 2004, the MTA created MTA Bus as a subsidiary to operate bus routes formerly operated by seven private bus lines holding franchises from the City of New York (NYC). Thereafter, in June 2007, the President of MTA Bus and the MTA Auditor General (Audit Services) requested that the Office of the MTA Inspector General (OIG) assist them in reviewing certain aspects of MTA Bus operations. Those requests were prompted by Audit Services' identification of overall control weaknesses, unusual transactions, and many management personnel vacancies creating potential fraud vulnerabilities. As a result, we issued MTA/OIG Report #2008-07 earlier this year. During that process and this current audit, MTA Bus officials have been fully cooperative and candid.

Indeed, it was these officials who revealed that the MTA Bus procurement department was not acquiring parts and equipment in a timely manner. As a result, the officials stated, managers were frequently using procurement cards, issued in February 2005, shortly after Bus commenced operations, to obtain needed equipment, parts, and services.¹ From that point to March 2008, over 4,500 transactions were made and \$1.6 million was charged to the cards. This extensive use of the cards continued after MTA Bus had been in operation for more than three years and even after Audit Services issued a report on control problems in the procurement card program.

OIG's current audit found that by the spring of 2008, MTA Bus still did not have adequate control and oversight of the use of procurement cards despite its positive responses to an MTA Audit Services report and recommendations.² Specifically, we found that:

1. MTA Bus had not yet established written procedures governing the use of procurement cards in accordance with an Audit Services recommendation to this effect that MTA Bus agreed to implement by December 2007. As a result, no limits were established other than a monthly spending limit for each cardholder that was substantially higher than the monthly limits imposed by other MTA agencies. Other Audit Services recommendations involving appointment of a Project Manager for the procurement card program, providing for review of monthly activity packages containing receipts for transactions, and approval by supervisory personnel, were also agreed to but remained to be implemented when OIG began its review.
2. Procurement cards were used at times in place of the standard procurement process to purchase items for which existing contracts would have provided discounts. The cards were often also used to pay for routine items such as bus parts used in everyday operations. While some of these items may have

¹ Procurement cards are credit cards issued to an agency's employees by a bank, which enables the employees to make certain types of small purchase, usually those under a specified dollar limit, and usually for non-routine operating needs.

² A full discussion of the audit's objectives, scope, and methodology of the OIG audit is included in Appendix A.

been obtained during situations involving immediate need, others were acquired after the MTA Board had signaled that the company should end its emergency procedures and begin normal operations.

3. Items purchased by procurement card were not being entered into the MTA Bus inventory system, leaving these items particularly vulnerable to theft and loss. These included bus parts, electronics and other assets used to administer and service bus depots.
4. Purchases for seven MTA Bus card holders were incorrectly charged as a cost to an MTA Headquarters (MTAHQ) account rather than to an MTA Bus account, resulting in a potential under-reimbursement of \$63,200 to MTA Bus from NYC.³

MTA Bus has agreed with all of the recommendations in this report and has already implemented or taken alternate steps to correct the conditions. When initially alerted to our observations and recommendations, MTA Bus took immediate steps to improve the management of its procurement cards. It appointed a procurement card Project Manager, is in the process of issuing written guidelines, and has lowered spending limits to card holders. We believe that once fully implemented, these changes will help MTA Bus adequately control procurement cards to ensure the cards are properly used by employees.

BACKGROUND

The use of procurement cards is a standard practice throughout the MTA because the cards provide agencies with a streamlined process for obtaining low value items that are only occasionally needed. The card issuer JP Morgan Chase & Co. (Chase) allows an agency to impose transaction limits, daily or monthly spending limits, and restrictions on the class of store in which the cards can be used. As indicated in MTAHQ and MTA New York City Transit (NYC Transit) guidelines, cards are not intended to be used for routine and recurring operating needs or for high dollar value items, which should be purchased through a procurement process. This process requires more structured requests and approvals. It also utilizes procurement personnel who endeavor to obtain a quality product from a reputable vendor at the best available price. In addition, the procurement process verifies that the item is received, stocked, and inventoried in an asset management system.

In November 2007, Audit Services issued a report on the MTA Bus procurement card program, including a number of recommendations to improve the operation and control of the program. Audit Services analyzed card charges through May 2007 and reported that MTA Bus Company officials told them that MTA Bus followed MTAHQ procurement card policy and procedures, but Audit Services noted that MTA Bus did not comply with several policy provisions. The Audit Services report detailed deficiencies including MTA Bus management's lack of a list of current card holders, purchases that exceeded MTAHQ transaction or monthly limits and missing documentation of purchases. It recommended added controls and oversight in specific areas. MTA Bus agreed to implement the report's recommendations by the end of 2007.

However, when OIG staff spoke to MTA Bus officials in 2008 we found that MTA Bus had not implemented many of the Audit Services recommendations. Because of this lack of implementation and the card's vulnerability to abuse when effective controls are not in place, we performed this follow up review of the MTA Bus procurement card program.

³ As discussed later in this report, the agreement between NYC and the MTA to operate routes formerly operated by NYC franchisees, required NYC to reimburse the MTA for operating losses by MTA Bus. Thus, any under-reporting of expenses reduced the subsequent reimbursement by NYC.

PROCUREMENT CARD CONTROLS WERE NOT ADEQUATE

Since procurement cards are issued to individual employees and can be used at any time, they are vulnerable to fraud and abuse without proper controls. One of the basic controls used to curb procurement card fraud and abuse is the establishment of written guidelines that set out the proper use of the cards and establish procedures for documenting, reviewing and approving purchases and for making payments to the card issuer. Another control is to assign limits to each card on transaction amounts and on daily or monthly spending, as well as on the types of vendors at which the cards can be used. MTA Bus has not yet established these guidelines or limits.

Lack of Written Guidelines

OIG found that when MTA Bus initiated its procurement card program in 2005, it did so without establishing written policies or procedures governing the use of the cards. In contrast, NYC Transit and MTAHQ have comprehensive written procedures governing their procurement cards. For example, NYC Transit's procedures:

- establish a \$2,500 limit on individual purchases;
- identify items that cannot be purchased with the card;
- create a process for card users to submit packages containing their statements and receipts for review and approval; and
- designate an employee as a procurement card program project manager to test appropriateness of usage and supervisory review of statements.⁴

MTAHQ has similar written guidelines for its procurement card program but sets an even lower limit of \$1,000 on individual purchases. Both NYC Transit and MTAHQ apply monthly purchasing limits depending on the individual to whom the card is issued, and limit the types of vendors at which the card can be used.

Failure to Establish Appropriate Limits

At MTAHQ, guidelines specify monthly spending limits for each card holder, ranging from \$2,500 to \$10,000 depending on the function of the individual employee. With the exception of two employees, however, the monthly "limit" at MTA Bus was \$20,000 per employee.

Regarding transaction limits, as noted above, MTAHQ and NYC Transit set them at \$1,000 and \$2,500 respectively. However, MTA Bus apparently did not establish any limits on transactions. Further, MTA Bus did not elect to utilize the available card features that block transactions with specific Merchant Category Code vendors in order to prevent the purchase of prohibited items.

⁴ NYC Transit's Materiel Departmental Procedures, Chapter 3, Section E – Procurement Card.

Many Receipts Were Not Submitted Prior to Payment

When we initiated our audit, MTA Bus officials informed us that the MTA Comptroller's Office administered the procurement card program, and that Chase was sending the monthly master procurement card statement to a financial analyst at that office. In addition, they explained that each month Chase sent individual account statements to every card user. Under the practice in place at the time, each card user was expected to attach all receipts and supporting documentation to the statement and have the package approved by an MTA Bus supervisor. The package was then submitted to the Comptroller's financial analyst, who was responsible for paying the overall master bill each month. OIG spoke with the financial analyst and he confirmed that approved packages were supposed to be sent to him on a monthly basis. However, he did not take steps to confirm that users and supervisors forwarded all packages, nor did he review those that were submitted to ensure that they were complete, appropriately reviewed by MTA Bus supervisors, and accurately reflected on the master statement. Rather, he was directed by management to simply pay the monthly bills on time each month to avoid finance charges.

During its 2007 audit of procurement cards, Audit Services found that \$57,000 worth of receipts was missing from the sample of monthly packages it reviewed. Thereafter, OIG reviewed all of the individual monthly receipts received from card users by the MTA Comptroller for the period February 2005 to March 2008 and found that almost \$370,000 of the \$1.65 million—22 percent—that was paid to Chase during the period, was not supported by receipts. We subsequently spoke with two of the employees who used the cards, including the employee who made the most purchases, and found some of the missing receipts in their offices. Specifically, we found that during the 3-year period, the most frequent card user spent over \$228,000, yet we initially found only \$57,000 worth of his receipts and supporting documentation at the Comptroller's office. Apparently, the Comptroller's financial analyst paid these bills without the necessary and complete supporting documentation.

OIG questioned the card user, who stated that he had prepared monthly packages of receipts, but apparently they were not forwarded by him or his supervisor to the financial analyst's office. Subsequently, OIG met again with the card holder and obtained additional receipts from him for \$134,000—leaving \$37,000 in unsupported charges. We reviewed the charges from Chase for the \$37,000 and found that the purchases were made from vendors and suppliers frequently used by MTA Bus. However, lacking the itemized receipts, we could not determine what was purchased. In our opinion, the failure by MTA Bus to establish procurement card guidelines was the primary reason for the poor purchasing practices and deficient recordkeeping that we found.

We recommend that MTA Bus:

1. Prepare written guidelines for its procurement card program.
2. Establish and customize monthly spending limits for individual procurement card holders.
3. Include in its procedures a requirement that all procurement card charges be fully documented by the user and reviewed by a supervisor prior to payment.

During discussions regarding our findings, MTA Bus officials agreed that written procedures are needed. They stated that they are in the process of preparing written guidelines and that as of May 1, 2008, all monthly spending limits had been reduced to between \$5,000 and \$10,000 based on each user's need and function. Senior management will be charged with determining other limits such as transaction limits. The officials also told us that they have established a new process for approval and payment of procurement card purchases. Specifically, they explained that an MTA Bus manager has now been

designated as Project Manager for procurement cards. Chase will now send monthly procurement card statements to this employee, who will ensure both that card users provide supporting documentation and supervisors approve all charges before payment is made. MTA Bus' comments to our draft report also indicated agreement with our recommendation regarding the need for written guidelines and it stated that its MTA Bus' Procurement Card Policy Instruction will be issued in the fourth quarter of 2008.

PROCUREMENT CARDS WERE BEING OVERLY USED IN PLACE OF A STANDARD PROCUREMENT PROCESS

The standard procurement process, while time-consuming, is designed to identify vendors offering the best price for the requisite quality of product. Thus, both NYC Transit and MTA guidelines state that procurement cards should not be used to purchase goods or services that are available under an existing contract or where it would be cost effective to initiate a new contract or add the goods or services to an existing contract. In those circumstances, the regular purchase order/invoice/payment process should be used. We found that the MTA Bus procurement card program was often used in violation of these guidelines.

No Transaction Limit

When employees need to make large purchases, they must use the normal procurement process. As stated earlier, NYC Transit and MTAHQ procurement card programs have this requirement and set limits of \$2,500 and \$1,000 respectively on individual transactions. MTA Bus did not set transaction limits for procurement card usage. We found that card holders routinely made large purchases on their cards thereby avoiding the normal procurement process. A total of 61 purchases for amounts exceeding \$2,500 were made from inception of the procurement card program. We also identified instances where a user repeatedly split purchases of over \$2,500 into two or more transactions to avoid the limit that employees apparently thought was in place.

Existing Contracts Were Not Used

OIG discovered that MTA Bus procurement card holders were regularly making purchases from vendors that had existing contracts with either MTA Bus or with NYC Transit's Department of Buses, but were not getting the contract prices. In many instances, use of the procurement card resulted in a higher unit price than would have been obtained had a contract been relied on for the purchase. For example, we noted that the MTA Bus procurement department had an existing blanket order contract with Grainger, Inc., a distributor of industrial supplies, and made 307 purchases from the company, between February 2005 and March 2008, for a total of \$372,827⁵. We found that an additional 277 purchases costing a total of \$89,352 were made with Grainger by individuals using procurement cards. The MTA Bus procurement director told us that he was unaware that these purchases were being made.

OIG reviewed several of these procurement card invoices involving Grainger and were able to identify two examples where MTA Bus had separately purchased identical items in the same time period, using the procurement card and a purchase order based on an existing contract to make the respective acquisitions. As shown in Table 1, in each case the procurement card acquisition was at a higher price than the identical acquisition under a purchase order.

⁵ According to the procurement director, MTA Bus received contract prices for these purchases made through the procurement department.

TABLE 1: Comparison of Purchased Equipment from Grainger Using Procurement Card versus Purchase Order

	<u>Procurement Card</u>		<u>Purchase Order</u>		<u>Difference</u>	
	<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>	<u>Amount</u>	<u>Percent</u>
Gantry Crane	3/1/06	\$1,561	4/26/06	\$1,363	+ \$198	14.5%
Hoist Chain	3/28/06	\$1,564	4/26/06	\$1,363	+ \$201	14.7%

OIG brought this to the attention of the procurement director, who immediately contacted the vendor. A Grainger official stated that the higher priced procurement card purchases for some depots were still under the original contracts with the private bus companies that had formerly operated the depots. The Grainger official stated that he tried to set up a centralized account, but that he did not get the needed cooperation from MTA Bus at the time.

OIG also compared purchases of bus parts made by NYC Transit using a traditional procurement process or a purchase order based on a contract price, to MTA Bus purchases using procurement cards for two vendors—Atlantic Detroit Diesel and Orion. We were able to identify nine identical items purchased by both agencies in approximately the same time period. As shown in Table 2 below, we found that MTA Bus paid more than NYC Transit did for the same part in 5 of the 9 transactions. In no instance did the procurement card result in a lower price.

TABLE 2: Comparison of Purchased Bus Parts from Atlantic Detroit Diesel and Orion Using MTA Bus Procurement Card versus NYC Transit Purchase Order

	<u>MTA Bus Procurement Card</u>		<u>NYC Transit Purchase Order</u>		<u>Difference</u>	
	<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>	<u>Amount</u>	<u>%</u>
Atlantic Detroit Diesel						
Cam # R23524916	May 2007	\$ 361.14	May 2007	\$ 343.09	+ \$ 18.05	5.3%
Armature #R23513939	May 2007	74.43	May 2007	70.70	+ 3.73	5.3%
Core # X23513939	May 2007	112.50	May 2007	72.96	+ 39.54	54.2%
Cam # X23524916	May 2007	187.50	May 2007	121.98	+ 65.52	53.7%
Cam # E23519871	Nov 2007	426.12	May 2008	426.12	-	0.0%
Cam # X23519871	Nov 2007	187.50	May 2008	187.50	-	0.0%
Eng Kit #29524422	Dec 2007	355.93	Dec 2007	355.93	-	0.0%
Gear # 29513052	Dec 2007	1,109.64	Dec 2007	1,109.64	-	0.0%
Totals		\$2,814.76		\$2,687.92	+ \$126.84	4.7%
Orion						
Steel Knuckle # F102518AW	Apr 2008	\$ 936.15	Jan 2008	\$ 791.48	+ \$144.67	18.3%

Table 2 illustrates why procurement cards should not be used to purchase goods or services that are available through existing contracts and the need to make this clear in agency guidelines.

We recommend that MTA Bus:

4. Prohibit the use of procurement cards to purchase goods and services that are available under existing MTA Bus or NYC Transit contracts.

MTA Bus officials agreed that existing contracts need to be more effectively used. In its comments to this report, MTA Bus stated that the written guidelines that will be finalized in the fourth quarter of 2008, will improve controls over the utilization of procurement cards.

Procurement Cards Were Used to Pay Recurring Expenses for Normal Operations

When there is a need to make recurring purchases for normal operations such as equipment rental or maintenance services, procurement departments typically ensure they obtain competitive prices by contacting several suppliers for prices before entering into a contract with a vendor. During our audit at MTA Bus, we found that procurement card holders repetitively purchased bus parts, equipment, and services from the same vendors without informing the MTA Bus Procurement Department. As shown in Table 3 below, our analysis of procurement card purchases identified four vendors that were not under contract with MTA Bus, yet received more than \$60,000 each during the 38-month period that we reviewed for a total expenditure of over \$419,000.

TABLE 3: Vendors without a Contract Who Received \$60,000 or More from MTA Bus Through Procurement Card Purchases During the Period February 2005 to March 2008

<u>Vendor</u>	<u>Number of Transactions</u>	<u>\$ Amount</u>
Finco Supplies of Long Island	205	\$138,944
Sun Rock Auto Parts	74	131,050
Mclean Photo Center	58	85,931
Tabco Auto Body Supply	50	<u>63,459</u>
Total		\$419,384

Despite the repetitive purchase of bus parts and equipment from these four vendors, a contract was not established with any of them for most of this period, and there was never any effort made by the purchasers or by the MTA Bus procurement department to obtain cost or pricing data from other suppliers.⁶ This regular purchase of equipment and supplies used in normal operations is typically prohibited by procurement card procedures. As an example, NYC Transit's Materiel Departmental Procedures, section E9(c) states: "The Procurement Card cannot be used to facilitate recurring charges for normal operations such as equipment rental, contract agreements, or maintenance services."

⁶ MTA Bus procurement department entered into a contract with Sun Rock Auto Parts in September 2007.

When we informed the procurement director of the above purchases, he stated that he would have entered into contracts with McLean Photo and other vendors if he had been aware of the repetitive nature of MTA Bus' dealings with these suppliers. He also stated that there were existing contracts for maintenance items with other suppliers besides Finco and Sun Rock from which MTA Bus might have been able to receive more favorable pricing.

We recommend that MTA Bus:

5. Prohibit the use of procurement cards to facilitate recurring charges for normal operations.

During our audit, MTA Bus officials agreed that procurement cards have been overused and that MTA Bus will be implementing new contracts for recurring purchases. In its comments to our draft report, MTA Bus stated written guidelines will shortly be finalized that will improve controls over the utilization of procurement cards.

ASSETS ACQUIRED BY PROCUREMENT CARD WERE NOT ENTERED INTO INVENTORY SYSTEMS

High Value Assets

During the audit, we noted that MTA Bus personnel used procurement cards to purchase various high value video and audio equipment and expensive tools that are vulnerable to loss and theft. When we attempted to verify the existence of a small selection of these items—four flat screen televisions and four camcorders—we found that MTA Bus did not have an inventory system in place that recorded and controlled its high value assets. We were able to identify the four televisions at the depots where they were ordered, as well as the two gantry cranes and two hoist chains discussed in Table 1, but could not readily locate the four camcorders because an inventory tracking system was not in place. According to MTA Bus officials, the camcorders were intended to be available for use by various employees and were, in fact, transferred among them without a record of the transfers.

Other MTA agencies such as NYC Transit, Metro-North Railroad, and Long Island Rail Road have systems in place to record and track their high value assets and safeguard them against theft, misuse, or loss. We believe MTA Bus should establish its own system to maintain control over its assets acquired through procurement card as well as through the normal purchase order procurement process.

We recommend that MTA Bus:

6. Establish a system to record and maintain control over its high value assets.

MTA Bus officials agreed on the need for an inventory system to control its high value assets. In its comments to this report, MTA Bus stated it has implemented our recommendation and that its high value assets are now undergoing a full inventory analysis.

Bus Parts Inventory System

While MTA Bus did not establish an inventory system for its assets, it did have a bus parts inventory system. We noted during our audit that procurement card holders in maintenance shops frequently purchased bus parts intended for installation shortly after purchase. However, the procurement director informed us that these parts, purchased outside of the normal procurement process, are not entered into the bus-parts inventory system. He explained that MTA Bus recently acquired an inventory software

application for bus parts that includes an application for automatic reordering. The reordering points are based upon prescribed minimum and maximum inventory levels that take actual usage into account. He explained that bus parts ordered by purchase order are entered into the inventory system. As stated above, he agreed that parts acquired through procurement cards are not entered, resulting in “actual usage” figures that are incorrect. Consequently, the system may not be ordering bus parts timely or in sufficient quantity.

We recommend that MTA Bus:

7. Ensure that bus parts acquired through procurement card purchases are entered into the MTA Bus parts inventory system so that the automated reordering feature may be accurately utilized.

MTA Bus officials agreed that bus parts purchased by procurement card should be included in the inventory system. In its comments to this report, MTA Bus stated that bus parts which were acquired through procurement card purchases, and not immediately installed, will be tracked on a ‘card system’ to avoid duplicate expensing of the part.

SOME MTA BUS PROCUREMENT CARD CHARGES WERE INCORRECTLY CHARGED TO MTA HEADQUARTERS

When MTA Bus entered into its agreement with NYC to take over operation of the routes previously operated by the seven formerly franchised bus lines, NYC agreed to pay MTA Bus the difference between all revenues and subsidies received and its actual cost of operations. This aspect of the agreement made it imperative that MTA Bus account for all its expenses in order to obtain full reimbursement from NYC for any operating deficit.

During our audit we found that the procurement card charges for many MTA Bus employees initially were being charged to MTAHQ’s procurement card account. Subsequently, the financial analyst in the MTA Comptroller’s Office who controlled these accounts would make a journal entry each month to adjust the credit card expenses incorrectly identified by the bank as belonging to one agency as opposed to the other. However, the financial analyst did not properly identify all such employees. We found that \$63,200 in procurement card charges for seven MTA Bus employees had been incorrectly charged to the MTAHQ account, but no journal entries were made to correct these errors. If these charges had been properly accounted for, the entire amount would have been eligible for reimbursement by NYC.

We recommend that MTA Bus:

8. Ensure that future procurement card expenses for all MTA Bus employees are properly charged to MTA Bus to justify proper reimbursement by NYC.
9. Make an adjusting entry to MTA Bus financial statements to record the \$63,200 in expenses incorrectly charged to MTAHQ in 2007, so that these expenses are eligible for reimbursement by NYC.

MTA Bus officials stated that procurement card purchases made by any MTA Bus employee are now being charged to the MTA Bus account. In its final comments to this report, MTA Bus stated that an adjusting entry has been made to the MTA Bus financial statements.

CONCLUSION

Procurement cards are intended to be used for non-routine, low-value purchases. During its initial years of operation, some MTA Bus employees routinely used procurement cards to purchase bus parts and other equipment because they apparently believed they could not obtain the items quickly enough to meet their service requirements through the normal procurement process. While some of those early procurements were surely of an emergency nature, the failure to establish, document and enforce a system of controls for procurement card usage led to parts and equipment being purchased at higher than necessary prices and also to inadequate recording of assets and bus parts in inventory systems.

While OIG did not find examples of fraud involving procurement cards, the high initial monthly spending limits, the lack of transaction limits, and the inadequate control over receipts, combined to make the system vulnerable to such abuse. Recognizing the validity of our concerns, MTA Bus has already instituted or is in the process of correcting many of these weaknesses. Work remains on establishing firm policies on the use of procurement cards and full implementation of its inventory systems.

SUMMARY OF ALL RECOMMENDATIONS

MTA Bus should:

1. Prepare written guidelines for its procurement card program.
2. Establish and customize monthly spending limits for individual procurement card holders.
3. Include in its procedures a requirement that all procurement card charges be fully documented by the user and reviewed by a supervisor prior to payment.
4. Prohibit the use of procurement cards to purchase goods and services that are available under existing MTA Bus or NYC Transit contracts.
5. Prohibit the use of the procurement cards to facilitate recurring charges for normal operations.
6. Establish a system to record and maintain control over its high value assets.
7. Ensure that bus parts acquired through procurement card purchases are entered into the MTA Bus parts inventory system so that the automated reordering feature may be accurately utilized.
8. Ensure that future procurement card expenses for all MTA Bus employees are being properly charged to MTA Bus to justify proper reimbursement by NYC.
9. Make an adjusting entry to MTA Bus financial statements to record the \$63,200 in expenses incorrectly charged to MTAHQ in 2007, so that these expenses are eligible for reimbursement by NYC.

In their comments to this report, MTA Bus has agreed with our recommendations and have implemented recommendations 6 and 9 and have taken alternate steps, which we consider appropriate to correct the condition referred to in recommendation 7. They also stated that written guidelines will be issued in the fourth quarter of 2008 that will improve controls over the utilization and administration of procurement cards and address the controls sought in our remaining recommendations.

APPENDIX A

OBJECTIVES, SCOPE AND METHODOLOGY

Our overall objective was to follow up on MTA Bus Company's progress in improving the control weaknesses in its procurement card program that were identified in an MTA Audit Services report. Specifically, we wanted to determine if MTA Bus had:

- Established adequate procedures for its procurement card program,
- Implemented the procedures which were resulting in properly documented purchases, made within established limits.
- Assured that appropriate items were being purchased at a reasonable cost.
- To accomplish our objectives, we met with the various MTA Bus and MTAHQ officials responsible for instituting, managing and operating the procurement card system and developed a detailed understanding of the processes and controls in the system. In addition, we reviewed NYC Transit and MTAHQ policies and procedures for procurement cards.

We initially conducted limited testing to verify that receipts were submitted for review, that purchase receipts matched each cardholder's monthly statement, and that a review was made prior to payment of the monthly bill for the overall account. We subsequently elected to obtain databases of all purchases made by procurement card holders for the period February 2005 to March 2008. We analyzed these databases to identify purchases of similar items at different prices and also to determine if purchases were split to avoid controls. We also compared the prices paid by the procurement cards to existing MTA Bus and NYC Transit contracts.