

New York State Office of General Services
Procurement Services Group
Corning Tower Building
Empire State Plaza
Albany, New York 12242
<http://www.ogs.state.ny.us>

PURCHASING MEMORANDUM

GENERAL INFORMATION BULLETIN

NUMBER: CL-733

DATE: August 11, 2010

PLEASE ADDRESS INQUIRIES TO:
STATE AGENCIES AND
OTHER AUTHORIZED USERS

Customer Services
(518) 474-6717
customer.services@ogs.state.ny.us

**SUBJECT: VERIFY ALL PURCHASE ORDER AND INVOICE INFORMATION
PRIOR TO PAYMENT**

TO ALL STATE AGENCIES AND OTHERS AUTHORIZED TO USE STATE CONTRACTS:

There have been recent incidents of an Office of General Services centralized contract being used to fraudulently acquire goods from contractors and defraud users of the centralized contract. In part, these fraudulent activities involved the generation of a fake purchase order for a product (most cases thus far have been computers) with shipment of the product to private residences and the bill sent to an Authorized User. Further details regarding this fraudulent activity are provided in the report issued on August 9, 2010 by the NYS Office of the Inspector General at <http://www.ig.state.ny.us/reports/reports.html>.

Centralized contract holders are strongly encouraged to utilize appropriate internal controls to verify the validity of purchases orders with the Authorized User, especially when the shipment is directed to somewhere other than the Authorized User's normal location. Authorized Users should fully cooperate with contractors' efforts to verify the validity of the purchase order.

Further, OGS reminds all Authorized Users of the obligation to verify purchase order information against invoices received from a contractor before making payment to make sure that your entity is not at risk of paying an invoice generated under this or other schemes used to defraud. As part of its internal controls, an Authorized User should confirm that it ordered a product before making payment. At a minimum, it must compare the vendor's invoice to its copy of the purchase order and receiving report to verify the quantity received and the prices agreed upon to be paid; check the mathematical accuracy of the invoices; and make any adjustments resulting from damaged, rejected, or returned goods. Authorized Users are strongly encouraged to update internal controls, as necessary, to ensure that all invoices are reviewed and procedures are in place to prevent the payment of invoices based upon fraudulent purchase orders.

The Office of State Comptroller G-Bulletin # [G-054](#) provides valuable information regarding the proper procedures and controls when purchasing, receiving and paying for goods. OGS is available to provide assistance in this regard by contacting Legal Services at 518-474-5607. Information about the establishment of agency receiving guidelines has been provided by the State Procurement Council, available at <http://www.ogs.state.ny.us/procurecounc/Bulletins.asp>.

Additional information on proper controls over the payment process is available in the Office of State Comptroller accounting system users' procedures manual, available at <http://www.osc.state.ny.us/agencies/accmanual/index.htm>.

This manual cites specific steps recognized from a report by the Institute of Internal Auditors and states that an optimum standard of control over the processing of vouchers payable would be one where:

- a. The purchasing department, having ordered material on the basis of requisitions from another department, sends a copy of the order to an accounts payable unit not under the purchasing department's supervision.
- b. A receiving department, also not under the supervision of the purchasing department, sends a report of quantity and quality of received material to the accounts payable unit.
- c. Incoming invoices are delivered directly to the accounts payable unit.
- d. The accounts payable unit, having matched orders, receiving and inspection reports, and invoices, prepares a disbursement voucher as authorization for payment to the vendor.
(See Volume XI, Section 3.025 Disbursements)

If an Authorized User suspects fraudulent activity, immediate notification should be made to the Contractor, appropriate authorities and the Office of General Services at the number listed above. Recovery of the fraudulently ordered goods may be achieved by contacting law enforcement with jurisdiction where the product is being shipped. Because of its internal controls, the Office of General Services was able to promptly detect these fraudulent schemes, and, working with the New York State Inspector General, law enforcement and the Contractor, successfully recovered many of the products shipped under such schemes.

Your diligence in this area will help to assure our contractor community of New York's continued commitment as a good place to do business.

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