



**FINANCE  
NEW YORK**  
THE CITY OF NEW YORK  
DEPARTMENT OF FINANCE

**TESTIMONY OF DEPUTY COMMISSIONER ROBERT LEE  
NEW YORK CITY DEPARTMENT OF FINANCE**

**BEFORE THE CITY COUNCIL  
COMMITTEE ON CONTRACTS**

**HEARING ON INTRO 570A: ELECTRONIC FUNDS TRANSFER  
JUNE 25, 2007**

Good afternoon, Councilmember James and members of the Contracts Committee. I am Robert Lee, Deputy Commissioner for Treasury at the Department of Finance. In this role, I oversee the division that administers the City's network of bank accounts and manages the cash flow of the City's banking and investment system. In addition, the Treasury Division is responsible for mailing checks to vendors who provide City agencies with goods and services.

On behalf of Finance Commissioner Martha Stark, I come before you today to strongly support Intro 570A, a bill that would require Finance to directly deposit payments to City vendors with contracts worth more than \$25,000, rather than process and mail checks. Before I outline the merits of this legislation, I want to first thank you, Madame Chair, for sponsoring this measure, along with Council Members Stewart and Jackson.

As you know, Intro 570A is a common-sense initiative that will improve how the City pays its vendors. For the most part, right now, when dealing with its vendors, "cutting checks" is what New York City literally does. For all vendor payments, the process starts with FISA approving the payment. From there, however, things get needlessly complicated when we issue paper checks.

First, FISA prints the checks and delivers them to the Comptroller and the Finance Commissioner at the Municipal Building so their signatures can be affixed to the checks. Next, those checks are hand-delivered a few flights upstairs, where Treasury staff must hand-sort the checks, removing those issued to vendors against whom the City has liens recorded. Then, staff feed the remaining

checks through a sorting machine where the checks will be stuffed in envelopes and delivered to our Administration division, which then delivers the checks to the post office.

The direct deposit process is much less complicated. FISA simply debits the payment amount from the vendor's bank account. Treasury's role is to provide the routing information to FISA and then monitor the direct deposits to make sure they occur smoothly, which is almost always the case.

As most of us know from our own experience, electronic payment is easier, it saves time, and it eliminates the headaches due to administrative errors like a mistyped address or a delivery problem at the post office. It also greatly reduces fraud and eliminates the risk of check forging, which can cause real problems for vendors. Back in 1996, at the request of the Clinton Administration, Congress passed mandatory EFT legislation for all federal government vendors, so in one sense, New York City is already *behind* the times.

Currently, this is a voluntary program, and 3,000 vendors have taken advantage of the convenience and efficiency of direct deposit EFT. Now, we'd like to expand the program so more vendors can receive their payments quickly and safely, and also view their payment and other information online.

To use just one example, it simply makes very little sense for a vendor like Federal Express to receive 1,100 separate checks for the work that they do for New York City each year. More than 90

times per month, a different agency's account is debited and a separate physical check is mailed to FedEx.

We would expect the City's transition to EFT to be easy. Once the bill is passed, we would model our transition after the Federal government's switchover. We will inform vendors of the change and simply supply them with the routing form so they can enroll. Vendors will have 180 days from the date they renew their contracts to provide us with the information or request a hardship waiver. Finance will request the routing information from vendors whose contracts are not up for renewal as well, allowing them 180 days to respond.

The cost savings from the bill are almost entirely from non-personnel savings -- including bank costs and postage that we would no longer have to incur. In addition, we'll be able to reduce the strain on our antiquated check-sorting machine, which is a good thing, since most of its parts are no longer made.

We expect that directly depositing vendors' checks will have the same benefits for business that it does for the 75% of City employees who use direct deposit. Our agency looks forward to working with our colleagues at the Office of the City Comptroller to promulgate rules that will define a hardship exemption. The bill also includes language that gives agency heads some flexibility to pay vendors by paper check where the disbursement of emergency funds is concerned.

With that, I thank you for this opportunity to talk about this important bill. I am happy to answer your questions. Thank you.