

## 2017 Calendar Year

# Not-For-Profit Prompt Contracting Annual Report

### Message from the Comptroller

Not-for-profit (NFP) organizations provide services to New Yorkers in many areas including child care, health care, education, social services, the arts and more. New York State depends on the critical contributions of NFPs, particularly for our most vulnerable citizens.

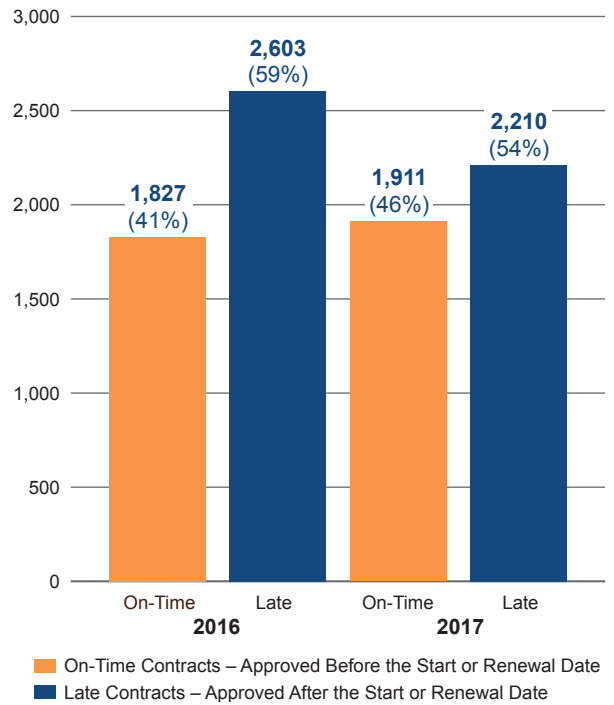
NFPs are also a significant economic force in the State and across the nation. NFPs in New York provided nearly 1.3 million jobs and accounted for more than 18 percent of total employment as of 2012 (the latest data available). Unfortunately, despite the importance of these services to our citizens and of NFPs to our economy, delays in the contracting process continue to contribute to uncertainty and financial hardship in the NFP sector.

The Office of the State Comptroller (OSC) has long recognized the important work and the vital influence of the NFP sector in New York State. For nearly a decade, OSC has worked on these critical issues, often in collaboration with NFP leaders. OSC has released targeted NFP reports and established training programs for NFP financial managers, directors, board members and staff.

New York State's Prompt Contracting Law (Article XI-B of the State Finance Law) instituted reforms nearly three decades ago to help streamline processes and expedite NFP contracting. More recent amendments require OSC to report annually on contracting results, including how well State agencies have met statutory time frames and made progress in achieving more timely contracts.

While the results for the 2017 year continue to show a trend in the right direction, more work needs to be done. More than half of all NFP contracts are still late, and improvements are not being accomplished across the board: almost half of all agencies reported 80 percent to 100 percent of their contracts late for 2017. A nearly 50 percent decline in the number of interest-eligible contracts where interest was paid highlights the continued need to prioritize efforts to calculate and pay interest timely.

**Late Contracts and On-Time Contracts  
 2016 & 2017**



### Highlights

- 2018 Prompt Contracting Recommendations
- Late State Agency Grant Contracts
- Late Contracting Interest Paid
- OSC Initiatives
- State Agency Efforts

## 2018 Prompt Contracting Recommendations

In order to improve the prompt contracting results, OSC recommends that State agencies:

- Make prompt contracting a priority. This remains the single most important action to achieving on-time contracts. State agencies that addressed prompt contracting this year through a coordinated initiative saw a 10 percent decline in their late NFP contracts from 2016 to 2017.
- Ensure sufficient resources and staffing to help meet prompt contracting time frames.
- Fully use the Grants Gateway for NFP contracting. In 2017, only 42 percent of new NFP grant contracts were submitted to OSC electronically through the Grants Gateway, and these contracts were more likely to be on time than paper contracts.
- Continue to evaluate and streamline processes where possible. The Grants Gateway was built to consolidate most aspects of the contract process into a single comprehensive system and the State needs to leverage this IT investment.
- Pay any interest due with the first payment under a contract, which could help NFPs with cash flow needs.

## Late State Agency Grant Contracts

Reports submitted by 29 State agencies showed that 4,121 new and renewal contracts with NFP providers associated with 158 programs were subject to the Prompt Contracting Law from January 2, 2017 through January 1, 2018.

Of the total contracts, 2,210 contracts (54 percent) were processed late, after their start or renewal dates. This is a modest reduction from 2016, when 59 percent were reported late, and continues a decline in the percentage of late contracts from the five-year high of 87 percent reported late in 2013.

Of the 1,911 State agency contracts approved on time, 1,399 were new contracts and 512 were renewals. Of the 2,210 State agency contracts not approved before the start or renewal date, 1,966 were new and 244 were renewal contracts.

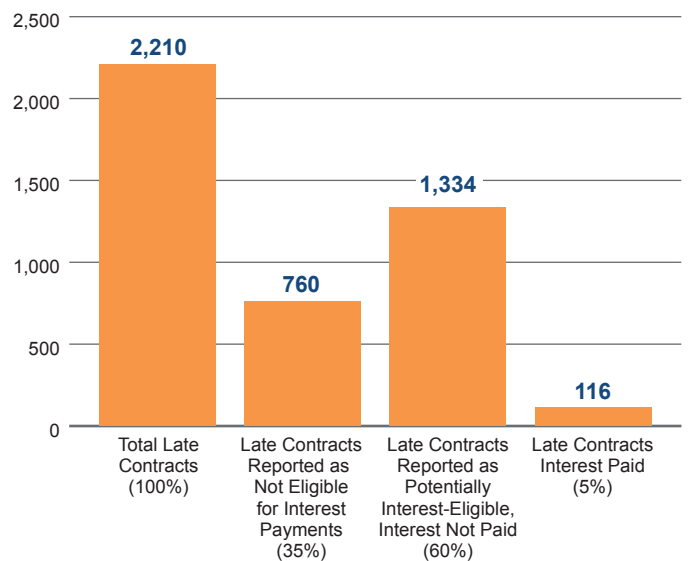
The law also provides for certain other prompt contracting time frames: 180 days from the State appropriation of funds for fully executed new competitive grant contracts, and 150 days for fully executed new noncompetitive or federally funded grant contracts. These time frames include the approval of the Office of the Attorney General and OSC.

State agencies met these legislated time frames for 2,688 contracts (65 percent), including 2,313 new and 375 renewal contracts. The remaining 1,433 contracts (35 percent), including 1,052 new and 381 renewals, failed to meet the legislated time frames. These results are nearly identical to the 2016 period.

## Interest-Eligible Contracts

State agencies reported that 1,450 contracts were potentially eligible for interest for late payments, an increase from last year, when 1,163 were eligible for interest.

Interest Eligibility Reported for Late Contracts 2017



Of late contracts this year, 1,334 were reported as potentially interest-eligible with no interest paid, while 116 contracts were paid late contracting interest. The remaining 760 were reported as not eligible for interest payments.

*OSC has recommended since the earliest Annual Reports that the single most effective remedy to late contracting is for State agencies to make prompt contracting a priority.*

## Interest Paid

Six State agencies paid interest totaling \$31,558 on 116 contracts eligible for interest, a decrease of over \$33,500 from the prior year. In addition, of the total grant contracts potentially eligible for interest, the percentage of contracts for which interest was paid decreased from 19 percent in 2016 to 5 percent in 2017.

Two State agencies paid the majority of prompt contracting interest: the Department of Health paid \$14,129 (45 percent), and the State Education Department paid \$7,361 (23 percent). Four other State agencies together paid a total of \$10,068.

No interest was paid during the reporting period for the remaining 1,334 of the 1,450 late contracts reported as potentially eligible for interest.

For contracts with start dates in 2017 that are not executed until 2018, State agencies did not calculate or make interest payments within the reporting period, so any interest paid on these contracts would go unreported until 2018. Use of electronic means such as the Statewide Financial System in calculating and paying interest timely could assist agencies and NFPs.

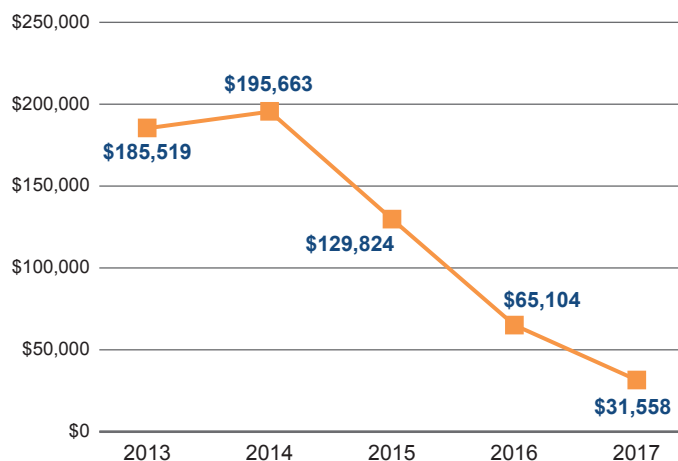
## Prompt Contracting Trends

As the data indicates, the percentage of late contracts and the number of contracts on which interest was paid continue a year-to-year downward trend. The amount of interest paid for 2017 decreased significantly from 2016.

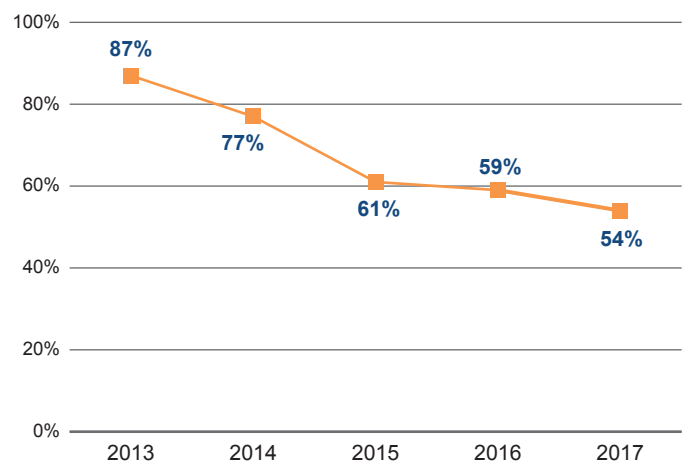
The downward trend in late contracts is positive, but it is difficult to assess the interest trends. Because agencies generally pay interest at the end of the year, any interest paid after the annual report date will not be included in these numbers. However, NFPs often face the need to finance the costs of late contracting, so any delay in receiving interest can cause financial hardship.

Over the five-year period (2013 to 2017), the amount of interest paid on late contracts has ranged from a high of \$195,663 in 2014 to about one-sixth that amount in 2017 (\$31,558). In 2017, State agencies reported that 41 percent of late contracts did not result in a missed payment—similar to the 2016 report—so virtually no progress was made in reducing the nearly 60 percent of contracts that missed payments and the attendant stress caused on NFPs.

**Interest Paid on Late NFP Grant Contracts  
2013–2017**



**Percentage of Late NFP Grant Contracts  
2013–2017**



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## OSC Initiatives

In 2017, OSC continued its fraud detection and prevention training program for accountants, directors, board members and staff of NFPs. Since 2012, more than 30 Don't Get Burned programs have trained more than 6,000 NFP leaders. Designed and taught by OSC auditors, the course gives NFPs the tools needed to better detect and prevent fraud, and develop better internal controls and analyze risks.

Returning unclaimed funds to NFPs is a high priority, and vigorous outreach by the NFP Community Liaison and other OSC staff re-connect NFPs with accounts that have gone unclaimed so that organizations can put this money to good use serving their clients.

OSC's NFP Contracts Liaison and the NFP Community Liaison are ready to assist with issues and inquiries, and have helped hundreds of NFPs to date.

## State Agency Efforts

OSC has recommended since the earliest Annual Reports that the single most effective remedy to late contracting is for State agencies to make prompt contracting a priority. In 2017, seven State agencies engaged in a joint project to streamline internal grant-making processes and improve contract timelines. These include: the Council on the Arts, the Department of Health, the Department of Labor, the Division of Criminal Justice Services, the Office of Children and Family Services, the Office of Mental Health and the Office of Temporary and Disability Assistance. The agencies focused on more active contract management, closely monitored contract execution and utilized new tracking tools.

Contracts reported from these agencies represented almost 70 percent of the 2017 total. For this group, 49 percent of contracts were not approved by the start date, whereas with the remaining agencies, 65 percent of contracts were not approved by the start date. Importantly, for five of the seven agencies that also processed their contracts electronically through the Grants Gateway, late contracting was just 34 percent.

## NFP Community

The 2016 Human Services Council (HSC) report, "Call to Action," outlined major contracting issues for the nonprofit sector and ways to address them. In 2017, HSC implemented two tools—a procurement rater and the GovGrader—designed to share NFP feedback on government procurement and contract management experiences. In addition, other organizations continue to raise issues important to NFPs. For example, Strong Nonprofits for a Better New York has called for investments and systemic changes to strengthen the human services sector statewide, and seeks to raise awareness of the sector's long-term needs to ensure that services can continue.

The 2017-18 State Budget provided funding for statewide statutory minimum wage increases approved the prior year. The Budget also included certain funding for salary increases for direct care and direct support staff for certain mental hygiene NFP providers, with a second increase for these staff plus clinical staff included in the 2018-19 budget.

The uncertainty surrounding federal funding remains a concern for nonprofit providers who provide essential services supported by the federal government.

### Additional Information

For additional information and data supporting the 2017 Prompt Contracting Report, please visit our website:

- [Contracting Information Provided by State Agencies \(Alphabetical by Agency\)](#)
- [Contracting Information Provided by State Agencies \(Percentage of Late Contracts\)](#)
- Reporting Methodology ([Worksheet](#)) ([Instructions](#))
- [Background of the Prompt Contracting Law](#)
- [Prompt Contracting Ten-Year Trending Chart](#)
- [Profile of Nonprofit Organizations in New York State](#)
- OSC Report: [New York State's Not-for-Profit Sector](#)

