



STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

June 18, 2012

Dr. Nirav Shah, M.D.
Commissioner
Department of Health
Empire State Plaza
Corning Tower Building
Room 1408
Albany, NY 12237

Re: Report 2011-0035-1

Dear Commissioner Shah:

Our office examined¹ select payments made by the Department of Health (DOH) to Supplemental Health Care (SHC) and Worldwide Travel Staffing Limited (WTSL) from July 1, 2011 through August 31, 2011 for temporary personnel provided under contracts PS63471 and PS63482, respectively. The objective of our examination was to determine if DOH received the appropriate cash discount for invoices the agency paid within each contract's specified discount period.

A. Results of Examination

We found DOH did not receive cash discounts it was entitled to for the 17 SHC invoices and 13 WTSL invoices we examined. As a result, DOH overpaid SHC \$782 and WTSL \$479 during the examination period. We also estimate DOH overpaid SHC an additional \$86,059 and WTSL an additional \$55,327 since the inception of the contracts. Since DOH officials were not aware of the availability of the cash discounts, there is a high likelihood that the State did not receive a total of \$86,841 from SHC and a total of \$55,806 from WTSL in discounts for all payments that were eligible for a discount.

We shared a draft report with DOH officials and considered their comments (Appendix A) in preparing this final report. DOH officials agree with our recommendations and stated they will initiate action to recover discounts and implement improvements.

¹We performed our examination in accordance with the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution, as well as Article II, Section 8, and Article VII, Section 111 of the State Finance Law.

B. Background / Methodology and Details of Findings

The Office of General Services procures centralized (statewide) contracts with various vendors. Two of these vendors are SHC and WTSL that provide temporary personnel services for the period November 19, 2007 through November 18, 2012. Under the contract, some vendors offer agencies a cash discount when agencies pay invoices within the contract specified discount period. Specifically, SHC agreed to give agencies a 5 percent discount and WTSL agreed to give agencies a 2 percent discount when an agency pays an invoice within 30 days. WTSL also agreed to give agencies a 4 percent discount when an agency pays an invoice within 15 days.

The statewide contract does not specify which date to use in determining whether the agency made the payment within the discount period. Therefore, we applied a conservative approach and used the number of days between the invoice date and the payment date to determine which payments were eligible for a discount. We examined only those payments that were eligible for the cash discount based on the length of time between the invoice date and payment date.

DOH paid SHC a total of \$62,242 during our examination period, of which \$15,638 was paid within 30 days. DOH paid WTSL a total of \$23,955 during the examination period, all of which was paid within the contract specified discount period. The 17 SHC invoices and 13 WTSL invoices we examined did not include the discount terms or credits for any previously made prompt payments. As a result, DOH overpaid SHC \$782 and WTSL \$479 during the examination period.

We also found DOH officials were not aware of the cash discount terms, and the terms were not included on agency purchase orders. In addition, DOH staff did not manually adjust the invoices to take the appropriate cash discount. As of October 17, 2011, DOH spent a total of \$10.4 million under the SHC contract, including \$1.7 million paid within the contractual discount period. DOH spent a total of \$5.5 million under the WTSL contract, including \$2.4 million paid within the eligible discount period of 15 or 30 days. If the same conditions existed since November 2007, we estimate DOH should have received an additional \$86,059 (a total of \$86,841) from SHC and an additional \$55,327 (a total of \$55,806) from WTSL in eligible cash discounts.

Recommendations

- 1) *Ensure DOH receives cash discounts on eligible payments to SHC and WTSL.*
- 2) *Recover the \$782 overpayment from SHC and the \$479 overpayment from WTSL.*
- 3) *Confirm that \$86,059 (SHC) and \$55,327 (WTSL) in additional discounts were not received, and recover those discounts as appropriate.*
- 4) *Determine whether DOH has other contracts that offer cash discounts. Ensure that DOH receives cash discounts, if applicable. Recover any overpayments from cash discounts not received.*

We thank the management and staff of DOH for the courtesies and cooperation extended to our auditors. Since your response to the draft report is in agreement with this report, there is no need for further response unless you feel otherwise.

Sincerely,

Bernard J. McHugh
Director of State Expenditures

Encl: Appendix A

cc: Sue Kelly
Stephen Abbott
Diane Christensen
Steven LaCasse
Robert Curtin, Office of General Services

NEW YORK
state department of
HEALTH

Nirav R. Shah, M.D., M.P.H.
Commissioner

Sue Kelly
Executive Deputy Commissioner

March 29, 2012

Bernard J. McHugh
Director of State Expenditures
Office of the State Comptroller
Bureau of State Expenditures
110 State Street – 10th Floor
Albany, New York 12236

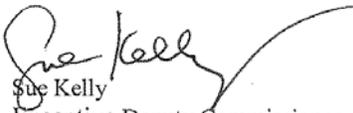
Re: Draft Audit Report 2011-0035

Dear Mr. McHugh:

The New York State Department of Health (Department) has reviewed the Office of the State Comptroller's Draft Audit Report 2011-0035 on its examination of select Department payments to Supplemental Health Care and Worldwide Travel Staffing Limited under contracts PS63471 and PS63482. The report contains a total of four recommendations, each of which the Department agrees with and will initiate action to implement.

Thank you for the opportunity to comment.

Sincerely,


Sue Kelly
Executive Deputy Commissioner

cc: Robert W. LoCicero, Esq.
Marybeth Hefner
Terry McConville
Diane Christensen
Stephen Abbott
Stephen F. La Casse