



STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

June 18, 2012

Ms. Gladys Carrión, Esq.
Commissioner
Office of Children and Family Services
Capital View Office Park
52 Washington Street
Room 303S
Rensselaer, NY 12144

Re: Report 2011-0035-2

Dear Commissioner Carrión:

Our office examined¹ select payments made by the Office of Children and Family Services (OCFS) 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 OCFS received the appropriate cash discount for invoices the agency paid within each contract's specified discount period.

A. Results of Examination

We found OCFS did not receive cash discounts it was entitled to for 23 of 24 SHC invoices and 16 WTSL invoices processed during our examination period. As a result, OCFS overpaid SHC \$1,747 and WTSL \$467. We also estimate OCFS overpaid SHC an additional \$19,723 and WTSL an additional \$13,792 from invoices processed since the inception of the contracts. Since OCFS officials were not aware of the availability of the cash discounts, there is a high likelihood that the State did not receive discounts totaling \$21,470 from SHC and \$14,259 from WTSL for all payments that were eligible for a discount.

We shared a draft report with OCFS officials and considered their comments (Appendix A) in preparing this final report. OCFS 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.

OCFS paid SHC a total of \$86,975 during our examination period, of which \$36,899 was paid within 30 days. OCFS paid WTSL a total of \$24,075 during the examination period, of which \$16,072 was paid within the contract specified discount period. Twenty three of 24 SHC invoices and 16 WTSL invoices we examined did not include the discount terms or credits for any previously made prompt payments. As a result, OCFS overpaid SHC \$1,747 and WTSL \$467 during the examination period.

We also found OCFS officials were not aware of the cash discount terms, and the terms were not included on agency purchase orders. In addition, OCFS staff did not manually adjust the invoices to take the appropriate cash discount. As of October 17, 2011, OCFS spent a total of \$1.9 million under the SHC contract, including \$429,399 paid within the contractual discount period. OCFS spent a total of \$857,302 under the WTSL contract including \$499,982 paid within the eligible discount period of 15 or 30 days. If the same conditions existed since November 2007, we estimate OCFS should have received an additional \$19,723 (or a total of \$21,470) from SHC and an additional \$13,792 (or a total of \$14,259) from WTSL in eligible cash discounts.

Recommendations

- 1) *Ensure OCFS receives cash discounts on eligible payments to SHC and WTSL.*
- 2) *Recover the \$1,747 overpayment from SHC and the \$467 overpayment from WTSL.*
- 3) *Confirm the \$19,723 (SHC) and the \$13,792 (WTSL) in additional cash discounts were not received, and recover those discounts as appropriate.*
- 4) *Determine whether OCFS has other contracts that offer cash discounts. Ensure that OCFS receives cash discounts, if applicable. Recover any overpayments from cash discounts not received.*

We thank the management and staff of OCFS 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: Kevin Mahar
Ralph Timber
Robert Curtin, Office of General Services



New York State
Office of
Children & Family
Services

www.ocfs.state.ny.us

Andrew M. Cuomo
Governor

Gladys Carrión, Esq.
Commissioner

Capital View Office Park
52 Washington Street
Rensselaer, NY 12144



An Equal Opportunity Employer

March 8, 2012

Mr. Bernard J. McHugh
Director of State Expenditures
Office of the State Comptroller
110 State Street
Albany, NY 12236

Dear Mr. McHugh:

This is the Office of Children and Family Services (OCFS) response to draft report 2011-0035 from the Office of the State Comptroller (OSC), an examination of OCFS payments made to Supplemental Health Care (SHC) and Worldwide Travel Staffing Limited (WTSL). The payments reviewed were for the period from July 1, 2011 to August 31, 2011 for temporary personnel provided under contracts PS63471 and PS63482, respectively.

There were four specific recommendations in the report. They are:

1. Ensure OCFS receives cash discounts on eligible payments to SHC and WTSL.
2. Recover the \$1,747 overpayment from SHC and the \$467 overpayment from WTSL.
3. Confirm the \$19,723 (SHC) and the \$13,792 (WTSL) in additional cash discounts were not received and recover these discounts as appropriate.
4. Determine whether OCFS has other contracts that offer cash discounts. Ensure that OCFS receives cash discounts, if applicable. Recover any overpayments from cash discounts not received.

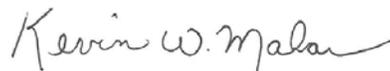
OCFS agrees with the recommendations presented by OSC. In response to this examination OCFS has instituted a business process to deduct the cash discount for timely payment within the contract's specified payment time frames. Purchase orders are now marked when a payment discount is specified on the vendor's Office of General Services state contract. The OCFS Bureau of Financial Operations is in the process of drafting a letter to recoup the full amount of all discounts that were identified in this examination from both SHC and WTSL.

Mr. Bernard J. McHugh
March 8, 2012
Page 2

OCFS is hopeful that the implementation of the State Financial System (SFS) will assist OCFS in identifying contracts for which cash discounts for timely payment are warranted. Once SFS becomes operational OCFS will conduct targeted reviews of contracts in which cash discounts for timely payments may be applicable. Initially, a review will be conducted of other centralized temporary staffing state contracts.

OCFS appreciates the work done by OSC on this review and the opportunity to respond to the recommendations presented. Any questions may be addressed to the OCFS Audit Liaison, Ralph Timber via email at Ralph.Timber@ocfs.state.ny.us or by phone at (518) 473-0796.

Sincerely,

A handwritten signature in cursive script that reads "Kevin W. Mahar".

Kevin W. Mahar, Director
Office of Audit and Quality Control
New York State Office of Children and Family Services