



STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

June 18, 2012

Ms. Elizabeth Berlin  
Executive Deputy Commissioner  
Office of Temporary and Disability Assistance  
40 North Pearl Street  
Albany, NY 12243

Re: Report 2011-0035-3

Dear Executive Deputy Commissioner Berlin:

Our office examined<sup>1</sup> select payments made by the Office of Temporary and Disability Assistance (OTDA) to Supplemental Health Care (SHC) from July 1, 2011 through August 31, 2011 for temporary personnel provided under contract PS63471. The objective of our examination was to determine if OTDA received the appropriate cash discount for invoices the agency paid within the contract specified discount period.

**A. Results of Examination**

We found OTDA did not receive cash discounts it was entitled to for the eight invoices we examined. As a result, OTDA overpaid SHC \$1,336 during the examination period. We also estimate OTDA overpaid SHC an additional \$29,947 since the inception of the contract. Since OTDA officials were not aware of the availability of a cash discount, there is a high likelihood that the State did not receive a total of \$31,283 in discounts for all payments that were eligible for a discount.

We shared a draft report with OTDA officials and considered their comments (Appendix A) in preparing this final report. OTDA officials agree with our recommendations and stated they have implemented new procedures to ensure OTDA receives cash discounts on eligible payments. OTDA officials have also initiated recovery of the \$1,336 overpayment to SHC and agreed to examine the \$29,947 and recover any overpayments.

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<sup>1</sup>We 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. One of these vendors is SHC that provides temporary personnel services for the period November 19, 2007 through November 18, 2012. Under the statewide contract, some vendors, such as SHC, 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 when an agency pays an invoice within 30 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.

OTDA paid SHC a total of \$56,451 during the examination period, of which \$26,724 was paid within 30 days. The eight SHC invoices we examined did not include the discount terms or credits for any previously made prompt payments. As a result, OTDA overpaid SHC \$1,336 during the examination period.

We also found OTDA officials were not aware of the cash discount terms and the terms were not included on agency purchase orders. In addition, OTDA staff did not manually adjust the invoices and take the appropriate cash discount. As of October 17, 2011, OTDA spent a total of \$1.1 million under the SHC contract, including \$625,674 paid within the contractual discount period. If the same conditions existed since November 2007, we estimate OTDA should have received an additional \$29,947 (or a total of \$31,283) in eligible cash discounts.

**Recommendations**

- 1) *Ensure OTDA receives cash discounts on eligible payments to SHC.*
- 2) *Recover the \$1,336 overpayment from SHC.*
- 3) *Confirm that \$29,947 in additional discounts was not received and recover those discounts as appropriate.*
- 4) *Determine whether OTDA has other contracts that offer cash discounts. Ensure that OTDA receives cash discounts, if applicable. Recover any overpayments from cash discounts not received.*

June 18, 2012

We thank the management and staff of OTDA 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: Valerie Boyd  
Robert Curtin, Office of General Services



NEW YORK STATE  
OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE  
40 NORTH PEARL STREET  
ALBANY, NEW YORK 12243-0001

Andrew M. Cuomo  
Governor

February 23, 2012

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

Re: Draft Report (#2011-0035)

Dear Mr. McHugh:

The Office of Temporary and Disability Assistance (OTDA) has reviewed the above referenced draft audit report regarding the Office of the State Comptroller's review of payments to Supplemental Health Care (SHC) via contract #PS63471.

Our specific responses to the recommendations in the report are as follows:

1. Recommendation: Ensure OTDA receives cash discounts on eligible payments to SHC.

Response: OTDA agrees that we will pursue all eligible discounts from SHC. When OTDA became aware of the opportunity for discounts, we implemented procedural changes to ensure that eligible discounts are printed on the purchase orders so Accounts Payable staff is aware when auditing invoices from SHC.

2. Recommendation: Recover the \$1,336 overpayment from SHC.

Response: OTDA will initiate correspondence to SHC to recover the overpayment.

3. Recommendation: Confirm that \$29,947 in additional discounts was not received and recover those discounts as appropriate.

Response: OTDA will confirm the additional discounts were not received and initiate correspondence to SHC to recover the overpayment as appropriate.

*"providing temporary assistance for permanent change"*

4. Recommendation: Determine whether OTDA has other contracts that offer cash discounts. Ensure that OTDA receives cash discounts, if applicable. Recover any overpayments from cash discounts not received.

Response: As noted above, on a prospective basis OTDA has implemented procedural changes to ensure that eligible discounts are printed on the purchase orders so Accounts Payable staff is aware when auditing invoices. OTDA agrees to pursue a review of other contracts that offered cash discounts and were not taken for periods prior to this procedural change. This retroactive review will progress dependent upon available resources.

Thank you for the opportunity to comment on the draft report.

Sincerely,



Kevin Kehmna, Director  
Bureau of Audit and Quality Improvement

cc: Elizabeth Berlin  
Nancy Maney  
Maria Vidal