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August 17, 2004

Antonia C. Novello, M.D., M.P.H., Dr.P.H.
Commissioner
New York State Department of Health
Corning Tower, Empire State Plaza
Albany, New York 12237

Re: Report 2004-F-3

Dear Dr. Novello:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1, of the State Constitution; and Article II, Section 8, of the State Finance Law, we have followed up on the actions taken by officials of the New York State Department of Health to implement the recommendations contained in our audit report, *Administration of Contract CO12387 with the Comprehensive Community Development Corporation for the Women, Infants and Children Program (Report 2001-R-6)*.

Background, Scope and Objectives

The Department of Health (Department) administers the Women, Infants and Children (WIC) Program, which "serves as an adjunct to health care during critical times of growth and development in order to prevent the occurrence of health problems, including drug and other harmful substance abuse, and to improve the health status of these persons." In the WIC program, which is both Federally and State-funded, low-income women may be provided with prescribed supplemental foods, nutrition education and counseling, and coordinated health care and social services. WIC services are provided by contractors that are overseen by the Department. The Comprehensive Community Development Corporation (Corporation), doing business as the "Soundview Health Center" (Soundview), was to be reimbursed by the Department for authorized and documented contract-related expenses. The Department did not renew Soundview's most recent WIC contract when it expired on March 31, 2003.

Our initial audit report, which was issued on December 3, 2002, addressed the following questions regarding selected aspects of the contract for the period October 1, 1998 through September 30, 2001:

- Was Soundview reimbursed only for authorized and documented contract expenses?
- Did Soundview comply with certain financial and program requirements of the contract?
- Was Soundview's WIC Program effectively overseen by the Department?

Our initial audit found that Soundview was reimbursed for some expenses that may not have been related to authorized contract activities. We also found that the Department's oversight of Soundview needed to be strengthened, as its reviews were not as frequent or as thorough as required by Federal regulations. The objective of our follow-up, which was conducted in accordance with Generally Accepted Government Audit Standards, was to assess the extent of implementation, as of April 8, 2004, of the 12 recommendations included in our initial report.

Summary Conclusions and Status of Prior Audit Recommendations

We found that some actions have been taken by the Department to address the issues but more needs to be done. Of the 12 initial audit recommendations, 4 recommendations were implemented, 6 recommendations are no longer applicable, 1 recommendation was not implemented, and 1 recommendation had been deleted from the final audit report based on the Department's response to the draft audit report.

Follow-Up Observations

Recommendation 1

Follow-up on the two temporary employees noted in this report for which there is virtually no employment-related documents on file. Recover any salary-related payments from Soundview determined to be inappropriate.

Status - Implemented

Agency Action - Department officials referred this matter to the New York State Attorney General's Office, which performed a follow-up investigation of these two individuals. We note that the \$6,923 paid to these individuals was recovered by the Department from Soundview via a voucher adjustment.

Recommendation 2

Work with Soundview officials to improve their maintenance of personnel documentation.

Status - Not Applicable

Agency Action - The Department's contract with Soundview expired on March 31, 2003 and was not renewed. Thus, currently no State contract-funded staff are employed by Soundview.

Recommendation 3

Recover the \$3,935 in undocumented other-than-personal service expenses.

Status - Implemented

Agency Action - Department officials recovered these undocumented expenses from Soundview via a voucher adjustment.

Recommendation 4

Require Soundview's reimbursement claims for the other-than-personal-service expenses to include copies of paid invoices or other documentation indicating that the disbursements have been made.

Status - Not Applicable

Agency Action - The Department's contract with Soundview expired on March 31, 2003 and was not renewed. Thus, currently no State contract-funded expenses are being made by Soundview.

Recommendation 5

Determine whether the contract for cleaning and security services was approved by Soundview's Board of Directors.

Status – Not Applicable

Agency Action - Department officials referred this matter to the State Attorney General's Office. According to an Assistant Attorney General assigned to this case, they are currently looking into this issue.

Recommendation 6

Determine whether the contract for cleaning and security services was obtained through a competitive bidding process. If such a process cannot be documented, determine whether the price paid for the services was reasonable, and recover any excessive payments.

Status – Not Applicable

Agency Action - Department officials referred this matter to the State Attorney General's Office. According to an Assistant Attorney General assigned to this case, they are currently looking into this issue.

Recommendation 7

In future contracts with Soundview, require documentation that Soundview has obtained cleaning and security services in an open and competitive manner, and that the contract was approved by the Board of Directors.

Status - Not Applicable

Agency Action - The Department's contract with Soundview expired on March 31, 2003, and has not been renewed.

Recommendation 8

Complete the ongoing Department investigation of certain participants in Soundview's WIC Program and take the appropriate corrective action, as warranted.

Status - Implemented

Agency Action - Department officials informed us that, subsequent to our audit, they completed the above referenced investigation. They supplied us with letters to three subjects of the investigation requesting repayment of improperly received benefits totaling \$1,260.

Recommendation 9

Perform periodic reviews of participant eligibility in Soundview's WIC Program.

Status - Not Applicable

Agency Action - The Department's contract with Soundview expired on March 31, 2003 and was not renewed. Thus, currently no State contract-funded expenses are being made by Soundview.

Recommendation 10

Recommendation deleted from the final audit report based on the Department's response to the draft audit report.

Recommendation 11

Perform complete on-site reviews of WIC Program contractors at least once every two years.

Status - Not Implemented

Agency Action - Department officials believe that their current procedures to monitor WIC program contractors are sufficient for their needs. Thus, they do not intend to revise their procedures to require formal biennial reviews.

Recommendation 12

Follow-up on WIC Program contractors that do not submit corrective action plans, annual self-assessments, or annual audit reports in a timely manner.

Status - Implemented

Agency Action - Department officials provided us with copies of its database used to track receipt of the above noted items and the communications used to follow-up thereon.

Major contributors to this report were Frank Patone, Barry Mordowitz, Altagracia Rodriguez, and Jeffrey Marks.

We would appreciate your response to this report within 30 days, indicating any actions planned or taken to address any unresolved matters discussed herein. We also thank Department management and staff for the courtesies and cooperation extended to our auditors during this process.

Very truly yours,

William P. Challice
Audit Director