



STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

August 21, 2015

Michael Nazarko
Deputy Commissioner for Administration
Department of Health
Empire State Plaza
Corning Tower Building
Albany, NY 12237

Re: Report 2014-STAT-02D

Dear Mr. Nazarko:

This is the fourth in a series of letters issued to the Department of Health (DOH) concerning expenditures with Maximus, Inc. under the \$684 million contract C025147. We continue to examine¹ payments, and found that Department officials did not follow proper procurement procedures and could have saved at least \$20,000 when they used Maximus to purchase equipment for Department use.

Department officials required printing and copying equipment and directed Maximus to purchase the equipment and bill DOH. The Department could not provide evidence to support the equipment was obtained through the formal, competitive process DOH is required to follow under State procurement laws².

State procurement laws are designed to enable agencies to obtain goods and services at reasonable prices in a fair, competitive environment. The Department may not avoid complying with these laws by using a third party to conduct procurements. The third party, acting as an agent for the Department, must also comply with State procurement laws.

To determine whether the Department paid a reasonable price for the \$171,125 in equipment, we identified the same or similar equipment available from various online sources. At a minimum, we found the Department could have saved more than \$20,000 had the equipment been purchased for the full retail price from these sources. A competitive procurement may have yielded even greater savings.

Department officials stated they did not procure the equipment directly because they were concerned about compatibility with existing equipment. As with any procurement, however,

¹ We performed our examination in accordance with the State Comptroller's authority set forth in Article V, Section 1 of the State Constitution, as well as Article 11, Section 8, and Article VII, Section 111 of the State Finance Law.

² State procurement laws include State Finance Law, Article 11, and Economic Development Law, Article 4-C.

Department officials should design clear specifications, including compatibility requirements, for intended purchases.

We recommend the Department ensure staff understand and comply with State procurement laws, including procurements conducted through third parties.

We would appreciate your response to the *above* findings and recommendation by September 21, 2015 indicating any actions planned or outcomes realized. If we can provide you with any other information, please contact me at 402-4104. We thank the management and staff of the Department for the ongoing courtesies and cooperation extended to our auditors.

Sincerely,

Bernard J. McHugh
Director of State Expenditures

cc: Howard Zucker, M.D., J.D., Commissioner
Sally Dreslin, Executive Deputy Commissioner
Diane Christensen, Director, Internal Audit
Marybeth Hefner, Deputy Director, Fiscal Management Group



Department of Health

ANDREW M. CUOMO
Governor

HOWARD A. ZUCKER, M.D., J.D.
Commissioner

SALLY DRESLIN, M.S., R.N.
Executive Deputy Commissioner

September 21, 2015

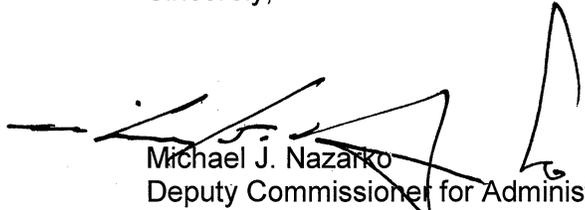
Mr. Bernard J. McHugh, Director
Office of the State Comptroller
Bureau of State Expenditures
110 State Street
Albany, NY 12236-0001

Dear Mr. McHugh:

Enclosed are the Department of Health's comments on the Office of the State Comptroller's Examination Letter 2014-STAT-02D entitled, "Maximus."

Thank you for the opportunity to comment.

Sincerely,



Michael J. Nazarko
Deputy Commissioner for Administration

Enclosure

cc: Sally Dreslin
Robert W. LoCicero, Esq.
Ed Cahill
Marybeth Hefner
Carol Sherman
Jason A. Helgeson
Elizabeth Misa
Ralph Bielefeldt
Diane Christensen
OHIP Audit SM

**Department of Health
Comments on the
Office of the State Comptroller's
Examination Letter 2014-STAT-02D entitled, Maximus**

The following are the Department of Health's (Department) comments in response to the Office of the State Comptroller's (OSC) Examination Letter 2014-STAT-02D entitled, "Maximus."

Recommendation #1

We recommend the Department ensure staff understand and comply with State procurement laws, including procurements conducted through third parties.

Response #1

The Department is reissuing guidance to staff on the need to follow State procurement laws. This guidance will specify that compliance is required, including procurements conducted through third parties, regardless of the need to expedite implementation of critical systems.