



STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

March 9, 2018

Ms. Kerry Delaney
Acting Commissioner
Office for People With Developmental Disabilities
44 Holland Avenue
Albany, NY 12229

Re: Report 2017-BSE7-02

Dear Acting Commissioner Delaney:

Our Office examined¹ 196 Procurement Card (PCard) charges totaling \$1.6 million representing payments made by the Long Island Developmental Disabilities State Operations Office (DDSOO) to 12 vendors during the period January 1, 2016 through December 31, 2016. The objective of our examination was to determine whether the DDSOO complied with the requirements of the New York State Finance Law (State Finance Law) and the State Guide to Financial Operations (GFO) on the use of PCards when purchasing goods and services from these 12 vendors.

A. Results of Examination

We found DDSOO staff did not comply with requirements of the State Finance Law related to the Office of the State Comptroller contract approval and/or the competitive bidding procedures for purchases from seven vendors with an aggregate value of \$809,950. This includes \$252,101 in purchases from one vendor that did not comply with competitive bidding statutes. Additionally, DDSOO staff inappropriately used PCards to pay for purchases valued at \$809,761 from five vendors with agency-specific contracts.

B. Background and Methodology

Pursuant to State Finance Law §112, state agency contracts over \$50,000 in amount must be approved by the State Comptroller. State Finance Law §163 requires state agencies to competitively procure goods and services in amounts above \$50,000, or \$200,000 under certain circumstances such as purchases from vendors certified as Minority and/or Women-Owned Business Enterprises. The requirements of Section 163 apply to (i) single purchases and (ii) multiple purchases of the same goods or services when the reasonably expected aggregate amount of such purchases to be made in a 12-month period exceed the monetary thresholds.

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 II, Section 8(1) and (7), and Article VII, Section 111 of the State Finance Law.

State agencies are directed not to use PCards to make purchases from agency-specific contracts because expenditures from PCards are not captured in the year-to-date and life-to-date amounts on the agency-specific contracts (GFO Section XI-A.4). State agencies are required to pay for goods and services from agency-specific contracts using purchase orders and vouchers processed through the SFS.

To accomplish our objectives, we analyzed the DDSOO's PCard purchases from 12 vendors where the aggregate purchases were greater than \$50,000 during our 12-month examination period. We examined supporting documentation, such as the purchase requisitions and invoices, for a selection of the transactions, and interviewed DDSOO officials.

We shared a draft report with officials from the Office for People With Developmental Disabilities (OPWDD) and considered their comments (Attachment B) in preparing this final report. OPWDD officials agreed with our recommendations and stated they have begun implementing each as part of their agency-wide policies, procedures, and practices.

C. Details of Findings

During the period January 1, 2016 through December 31, 2016, DDSOO staff did not comply with State Finance Law and the GFO requirements for purchases with 12 vendors (see Attachment A). Specifically, DDSOO staff:

- Did not obtain OSC contract approval for seven purchases in amounts between \$59,674 and \$252,101.
- Did not competitively procure services totaling \$252,101 with one vendor.
- Used PCards to pay for purchases from agency-specific contracts with five vendors. The DDSOO spent from \$92,675 to \$308,397 with these vendors, which is not reflected in the contract life-to-date spending recorded in the SFS. As a result, the agency could potentially spend more than is authorized on the contract with these vendors.

DDSOO officials were aware of the requirement to obtain OSC contract approval for single transactions exceeding \$50,000, but not the related competitive bidding and contract approval requirement for multiple purchases of the same goods or services exceeding \$50,000 in the aggregate over a 12 month period. DDSOO officials should monitor aggregate PCard spending and ensure staff who use PCards comply with the requirements in the State Finance Law and the GFO.

DDSOO staff also stated their management directed them to use PCards to pay vendors whenever possible, in order to maximize rebate opportunities. However, PCards cannot be used to pay vendors for purchases under agency-specific contracts as stated in the GFO.

Recommendations

- 1) *Ensure DDSOO staff adhere to the State Finance Law requirements for OSC contract approval and competitive bidding.*
- 2) *Ensure DDSOO staff do not use PCards to pay for purchases from vendors with agency-specific contracts.*
- 3) *Adjust contract life-to-date expenditures to reflect PCard purchases from agency-specific contracts.*
- 4) *Monitor staff use of PCards to ensure compliance with the State Finance Law and GFO requirements.*

We thank the management and staff of the Office for People with Developmental Disabilities and the Long Island Developmental Disabilities State Operations Office 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 a further response unless you feel otherwise. If you choose to provide a response, we would appreciate receiving it by April 9, 2018.

Sincerely,

Bernard J. McHugh
Director of State Expenditures

Encl: Attachment A
Attachment B

cc: James Nellegar, OPWDD Director of Internal Audit
Vincent Sleasman, OPWDD External Contact Coordinator
Denise Celestine, Long Island DDSOO Business Officer
Charlotte Davis, OSC Director of Contracts

**Long Island Developmental Disabilities State Operations Office (DDSOO)
Aggregate Procurement Card (PCard) Payments to Select Vendors
January 1, 2016 through December 31, 2016**

Vendor	Did Not Obtain OSC Contract Approval	Inappropriately Used PCard on Agency Contract
Commercial Instrumentation Services		\$308,397
Advance Partners *	\$252,101	
Crosley Medical Products Inc.	160,869	
BJM Construction Enterprises		157,025
John Mauro's Lawn Service Inc.		137,500
Bryan Schilling Landscaping	121,790	
Palace Electrical Contractors Inc.		114,164
Residential Fences Corp.**		92,675
Roxbury Contracting Inc.	85,476	
Corporate Construction & Project Mgt Inc.	65,100	
A+ Towel & Linen Supply/Miracle Wash	64,940	
Good News Appliance & Repair Inc.	59,674	
Total	\$809,950	\$809,761

**The DDSOO did not comply with competitive bidding statutes for this purchase.*

***Based on discussions with DDSOO officials, and review of supporting documentation, Laser Industries performed the services provided under contract with the DDSOO. The DDSOO should have (i) directly paid Laser Industries for the services and (ii) used the appropriate payment method to reference the approved funds under this Contract Number. Instead, the DDSOO paid Residential Fences Corp, a related entity of Laser Industries.*



**Office for People With
Developmental Disabilities**

ANDREW M. CUOMO
Governor

KERRY A. DELANEY
Acting Commissioner

February 22, 2018

Mr. Bernard J. McHugh, Director
Office of the State Comptroller
Bureau of State Expenditures
110 State Street, 10th floor
Albany, NY 12236

Dear Mr. McHugh:

The Office for People With Developmental Disabilities (OPWDD) has reviewed the Office of the State Comptroller's (OSC) draft audit report, BSE7-2017-02, regarding its review of procurement card charges made by the Long Island Developmental Disabilities State Operations Office.

Please find attached our comments on this draft report. If you have any questions or concerns, please do not hesitate to contact me at 518-474-4376 or Mary.E.Peck@opwdd.ny.gov.

Sincerely,

Mary E. Peck
Director of Internal Controls

Attachment

**Office for People With Developmental Disabilities
Response to the Office of the State Comptroller's
Draft Audit Report BSE7-2017-02
Long Island Developmental Disabilities State Operations Office (LIDDSOO)
Review of Procurement Card Transactions**

The New York State Office for People With Developmental Disabilities (OPWDD) provides the following responses to the New York State Office of the State Comptroller's (OSC's) draft audit report (BSE7-2017-02) entitled "Long Island Developmental Disabilities State Operations Office (LIDDSOO), Review of Procurement Card Transactions."

OSC examined 196 Procurement Card (P-Card) charges totaling \$1.6 million during calendar year 2016. OSC claimed that the LIDDSOO staff (1) did not obtain OSC approval for seven purchases in amounts between \$59,674 and \$252,101 (aggregate value of \$809,950); (2) did not competitively bid one of the seven purchases totaling \$252,101; and (3) used P-Cards to pay for purchases from agency-specific contracts with five vendors (aggregate value of \$809,761).

OSC made four recommendations and OPWDD's response to each recommendation is below.

OSC Recommendation #1: Ensure DDSOO staff adhere to the State Finance Law requirements for OSC contract approval and competitive bidding.

OPWDD Response: OPWDD has already begun to implement this recommendation. In an effort to ensure compliance with these requirements and to establish consistency of practice, OPWDD has created two contract "hubs" to manage contracting and procurement for our regional DDSOO offices. These hubs are working to issue Invitations For Bid (IFBs) to competitively procure goods and services that are needed on an ongoing basis to support the group homes in which our individuals live and the day habilitation and other programs in which our individuals participate. OPWDD will reinforce proper procurement processes and requirements in accordance with the provisions of State Finance Law with all DDSOO and Business Office staff.

OSC Recommendation #2: Ensure DDSOO staff do not use P-Cards to pay for purchases from vendors with agency-specific contracts.

OPWDD Response: OPWDD has already begun implementing this recommendation. On January 11, 2018, OPWDD a procurement card policy to all OPWDD employees. Attachment A of the policy, Discretionary Purchasing Procedure, clearly states that P-Cards must not be used for formal agency contract payments. OPWDD will continue to reinforce proper payment methods with all DDSOO and Business Office staff.

OSC Recommendation #3: Adjust contract life-to-date expenditures to reflect P-Card purchases from agency-specific contracts.

OPWDD Response: OPWDD has already begun implementing this recommendation and is working with the Statewide Financial System (SFS) to adjust life-to-date expenditures to reflect P-Card purchases from agency-specific contracts, with the goal of completing this work by the end of March 2018.

OSC Recommendation #4: Monitor staff use of P-Cards to ensure compliance with the State Finance Law and State Guide to Financial Operations (GFO) requirements.

OPWDD Response: OPWDD has already begun implementing this recommendation. As noted above, a procurement card policy was issued to all OPWDD staff on January 11, 2018, and requires supervisors of employees with P-Cards to review and approve logs listing all transactions that the P-Card was used for and accompanying receipts on at least a monthly basis. The logs, receipts and charges are then reviewed by Business Office staff as part of the reconciliation and SFS entry process. OPWDD will continue to reinforce proper P-Card use to ensure compliance with State Finance Law and GFO requirements with all DDSOO and Business Office staff.