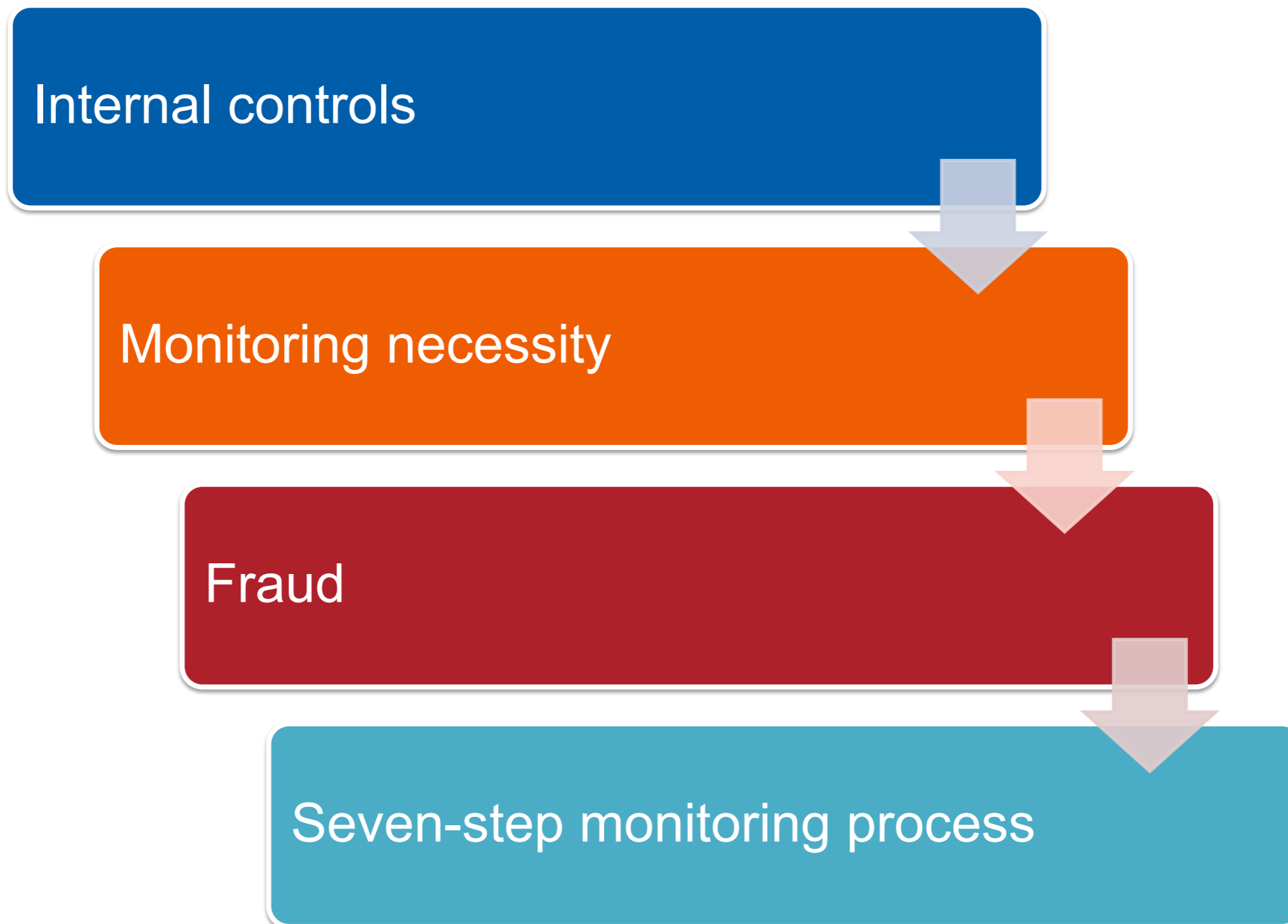


Contract Payment Review

Janel Carey, Sam Blumenthal,
Gabby Marinese, Theresa Cassiack

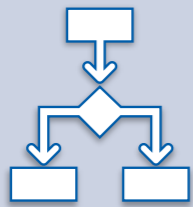


Roadmap



Internal Controls

What Are Internal Controls?

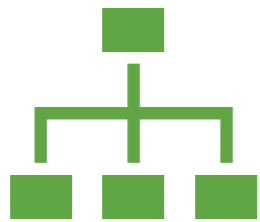


Processes effected by an entity's board of directors, management, and other personnel



Designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance

Internal Controls Objectives



Operations

Effectiveness and efficiency of the entity's operations



Reporting

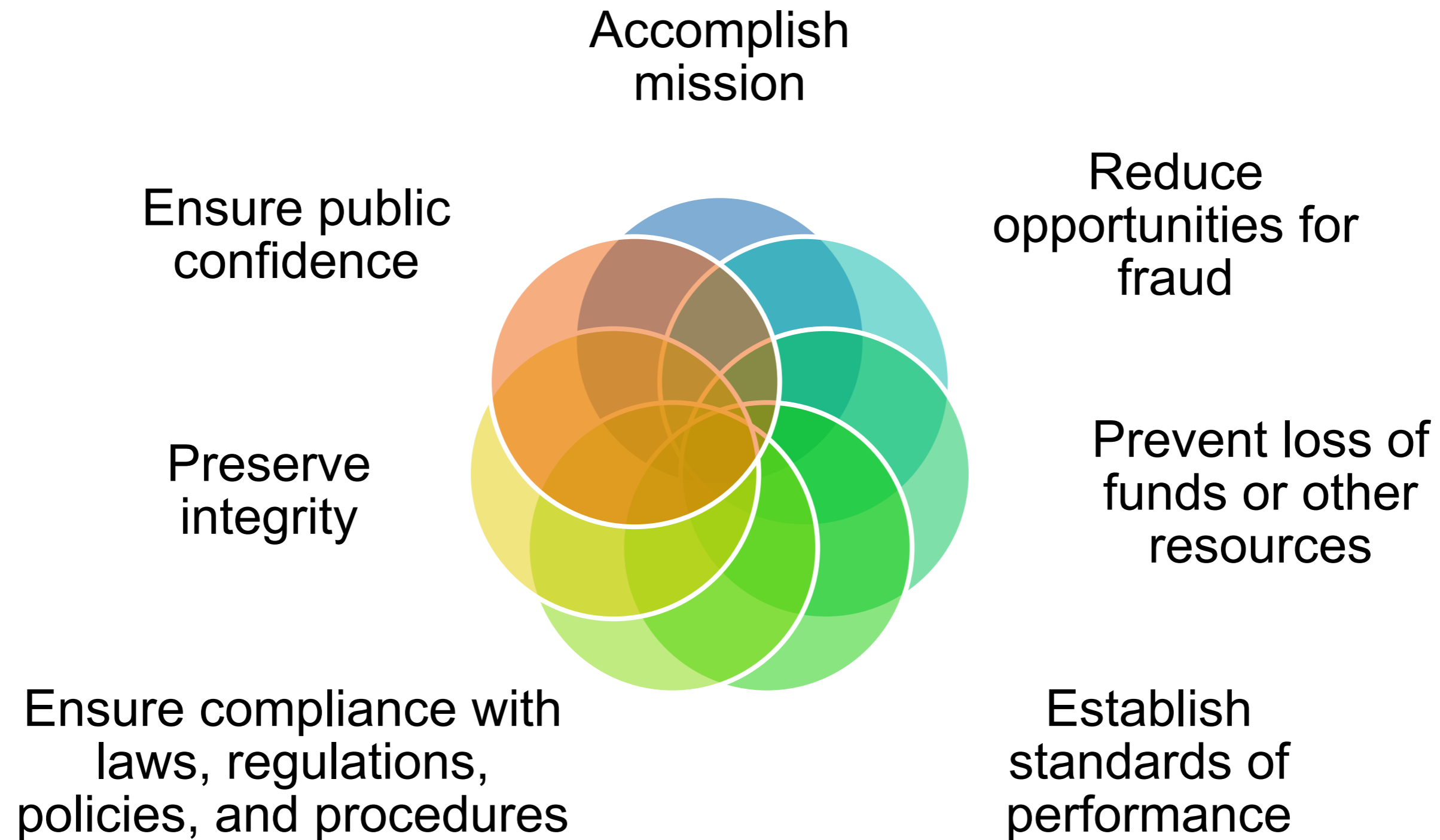
Internal and external financial and nonfinancial reporting



Compliance

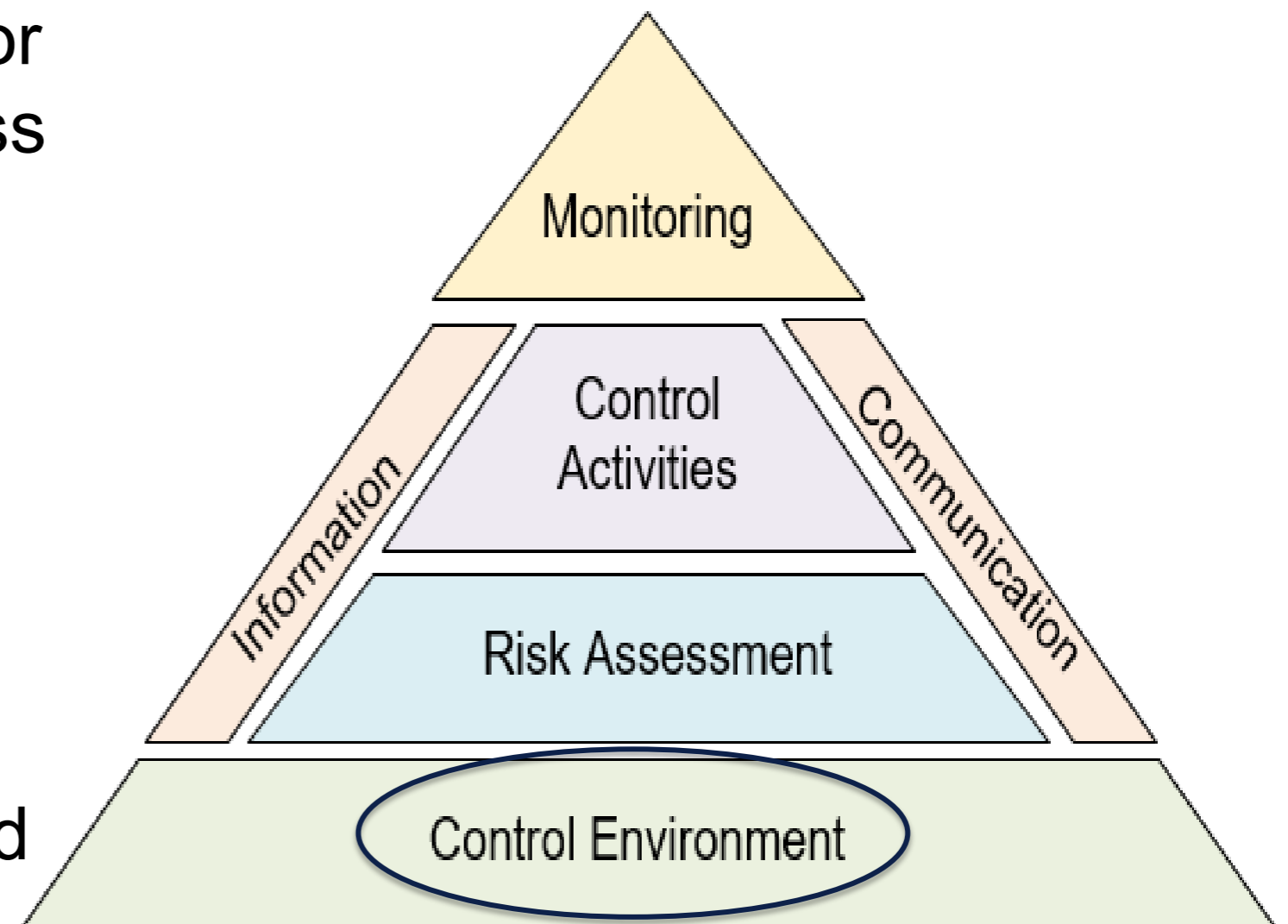
Adherence to laws, regulations, contracts and management directives

Importance of Internal Controls



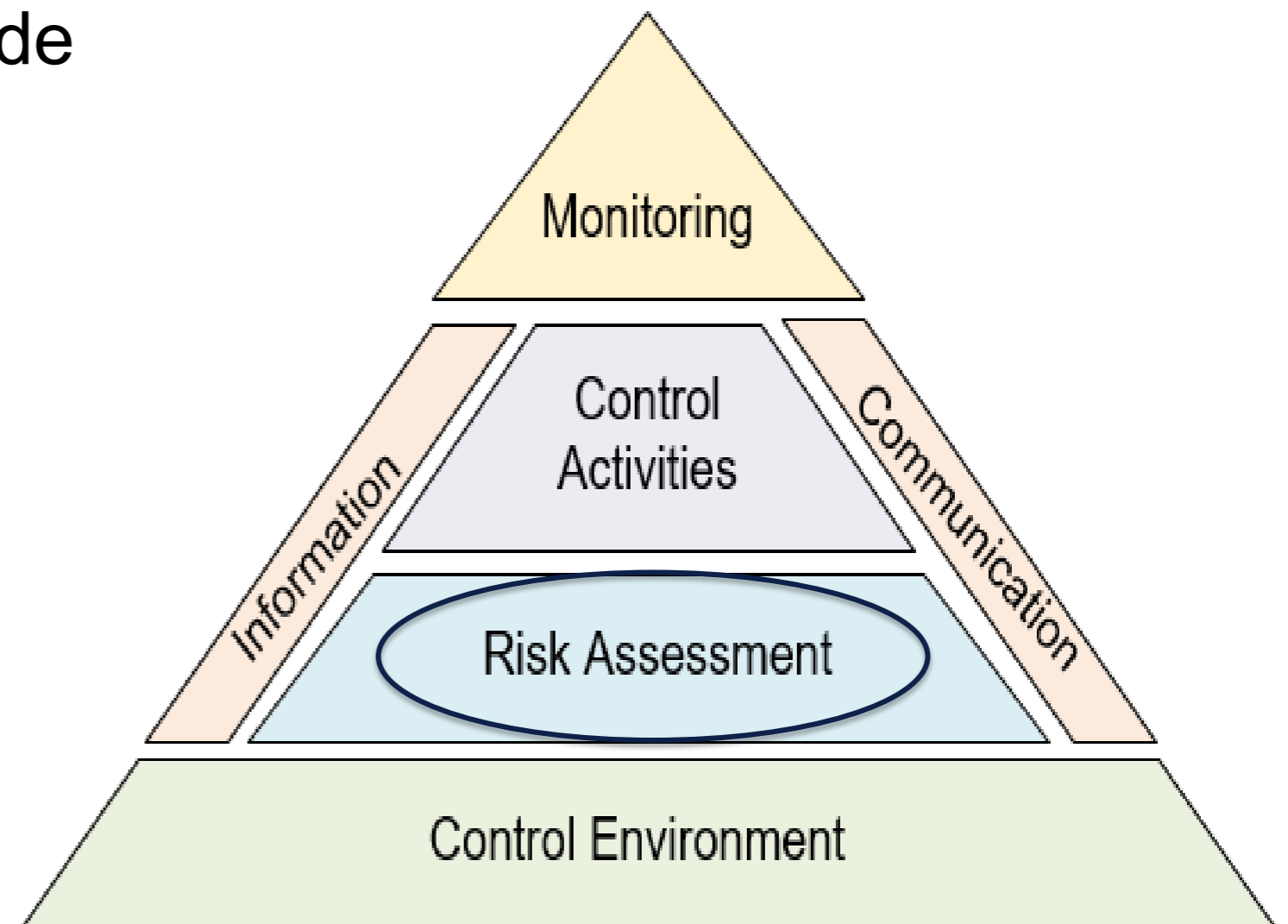
Control Environment

- Set of standards, processes, and structures that are the backbone for establishing internal controls across the organization
- Demonstrates commitment to integrity and ethical values
- Exercises oversight responsibility
- Establishes structure, authority and responsibility
- Enforces accountability



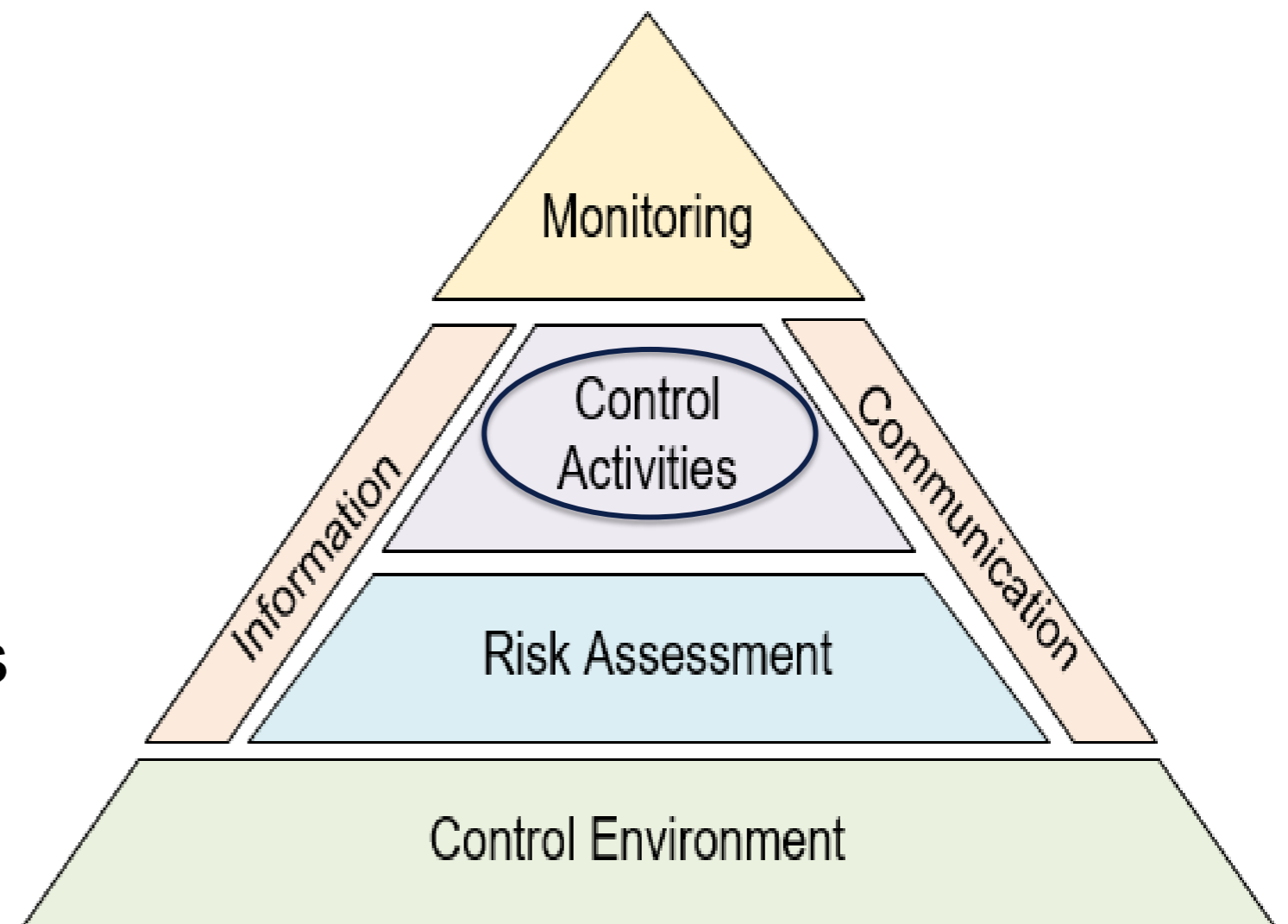
Risk Assessment

- Process for identifying and analyzing threats through an organization-wide effort
- Specifies suitable objectives
- Identifies and analyzes risk
- Assesses fraud risk
- Manages risk during change



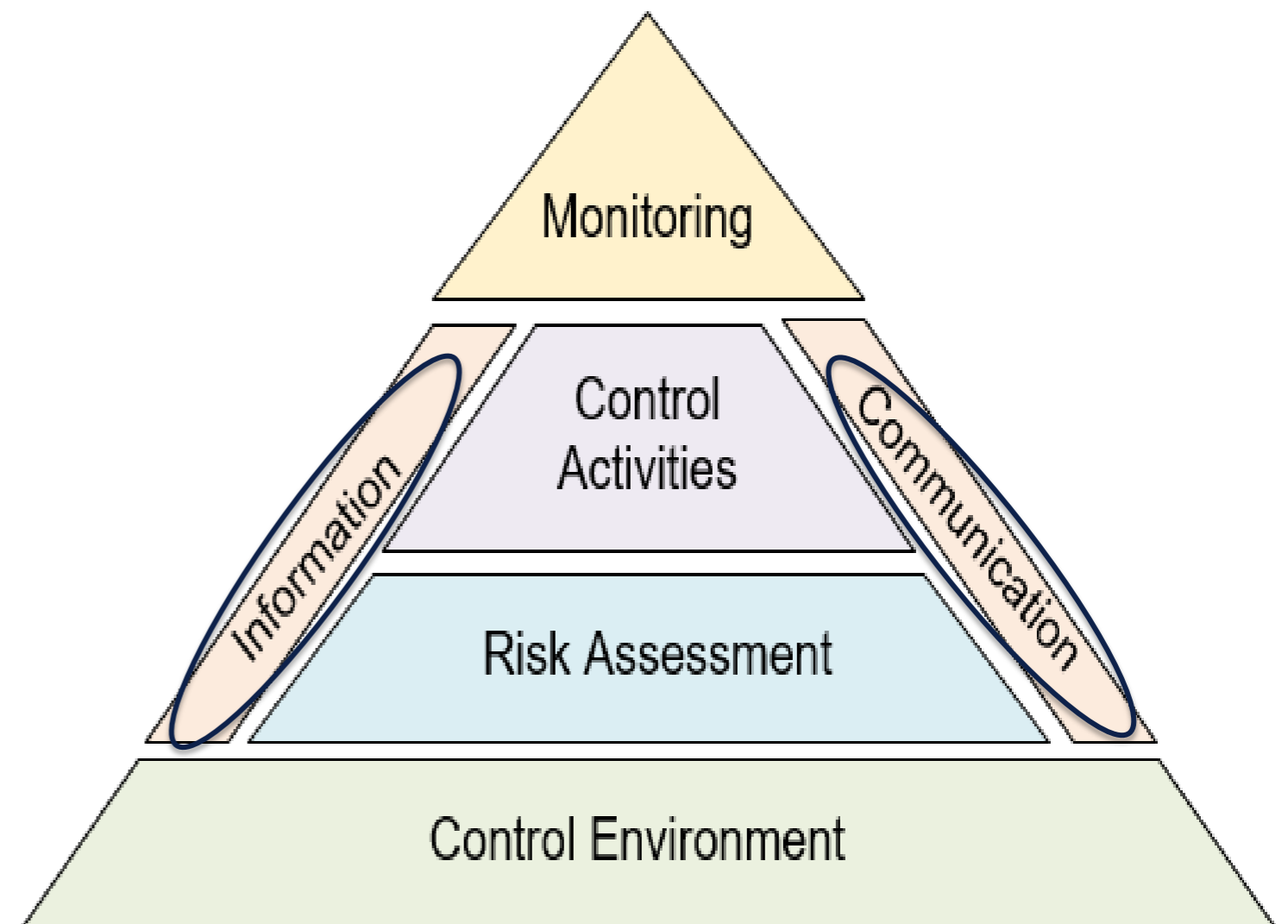
Control Activities

- Actions established through policies and procedures
- Helps ensure management's directives to mitigate risks to the achievement of objectives are carried out
- Controls deployed through policies and procedures



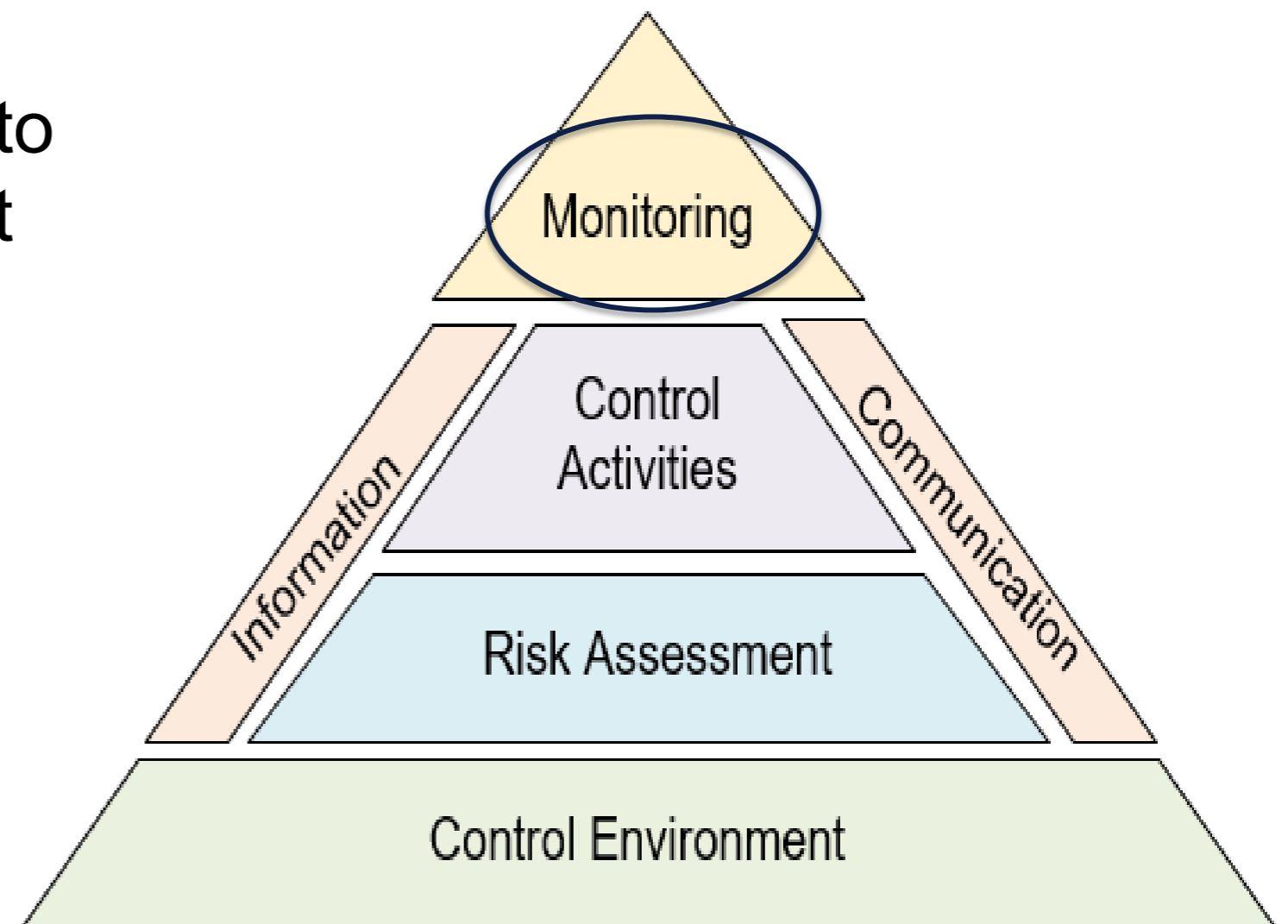
Information and Communication

- Necessary to support the achievement of objectives
- Use relevant information
- Communicate internally
- Communicate externally



Monitoring

- Ongoing evaluation of internal control components, either individually or as a whole system, to ascertain whether they are present and functioning
- Conduct ongoing and/or separate evaluations
- Evaluate and communicate deficiencies



Monitoring Necessity

Why Monitoring is Necessary



Billions in State spending



Agency approvers are responsible for certifying payments are just, due, and owing



Health and safety, goal achievement, loss of State resources and reputation



Prevent and mitigate fraud and errors

Fraud

What is Fraud?



How Much is Lost?

- **5% of an organizations' annual revenues**
- **Median loss of \$145,000 annually**
 - \$141,000 for small businesses
 - \$76,000 for not-for-profits
 - \$150,000 for government
- **22% of cases in the study had losses of at least \$1 million**



How Is It Committed?

Corruption	Asset Misappropriation	Financial Statement Fraud
Bribery <ul style="list-style-type: none">• Bid Rigging• Invoice Kickbacks	Fraudulent Disbursements <ul style="list-style-type: none">• Check and Payment Tampering• Billing	Asset/Revenue Over- and Understatements <ul style="list-style-type: none">• Improper Disclosures
Conflict of Interest <ul style="list-style-type: none">• Purchasing Schemes• Gratuities and Extortion	Noncash <ul style="list-style-type: none">• Larceny• Misuse of Assets	

Where Does it Happen?

Nearly 56% of frauds in the study were committed by individuals in 1 of 5 departments:

Operations

corruption, noncash
theft, billing

Accounting

billing, check
tampering, corruption

Sales

corruption, noncash
theft

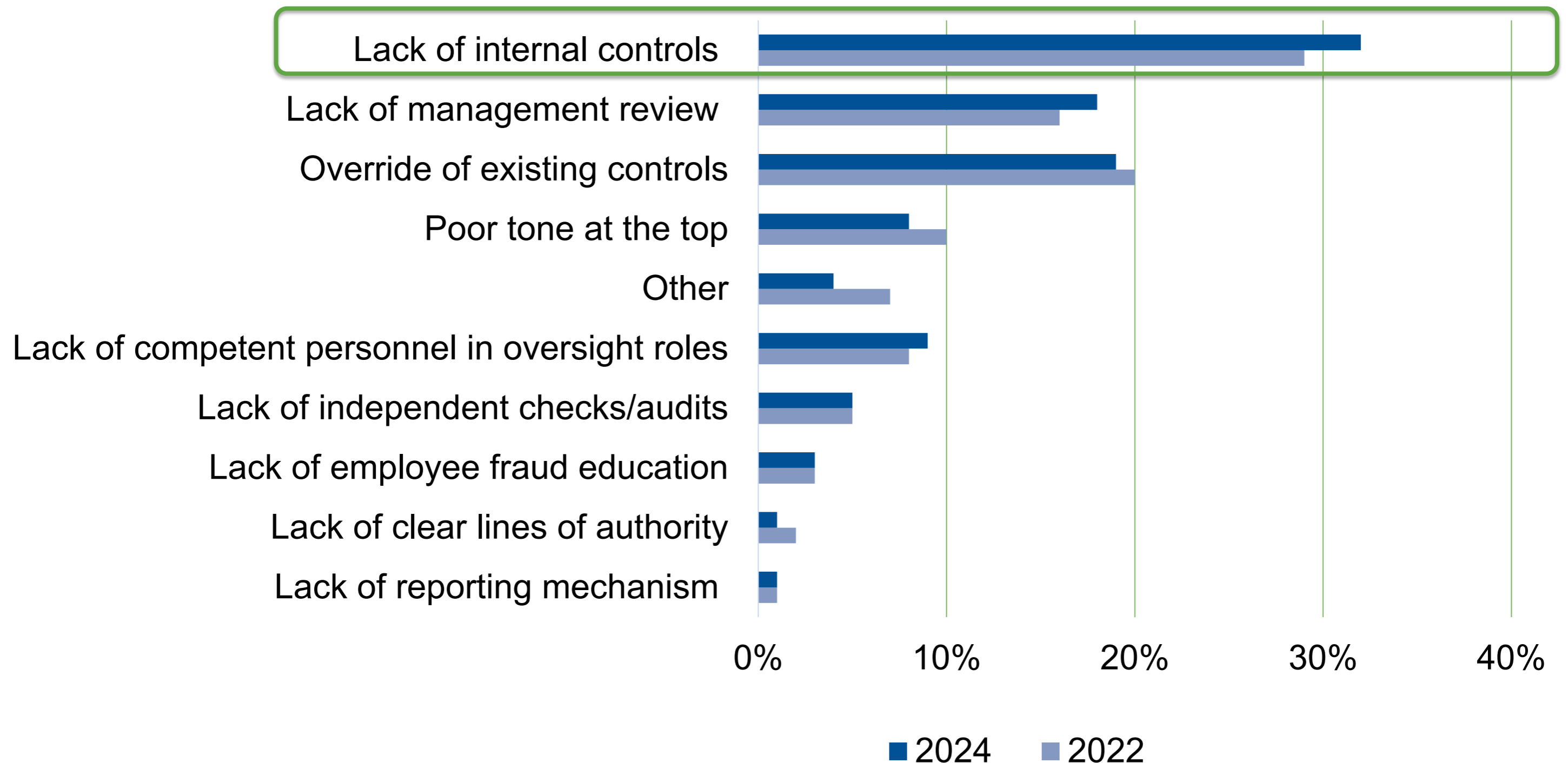
Executive/Upper Management

corruption, financial
statement fraud, billing,
expense
reimbursement

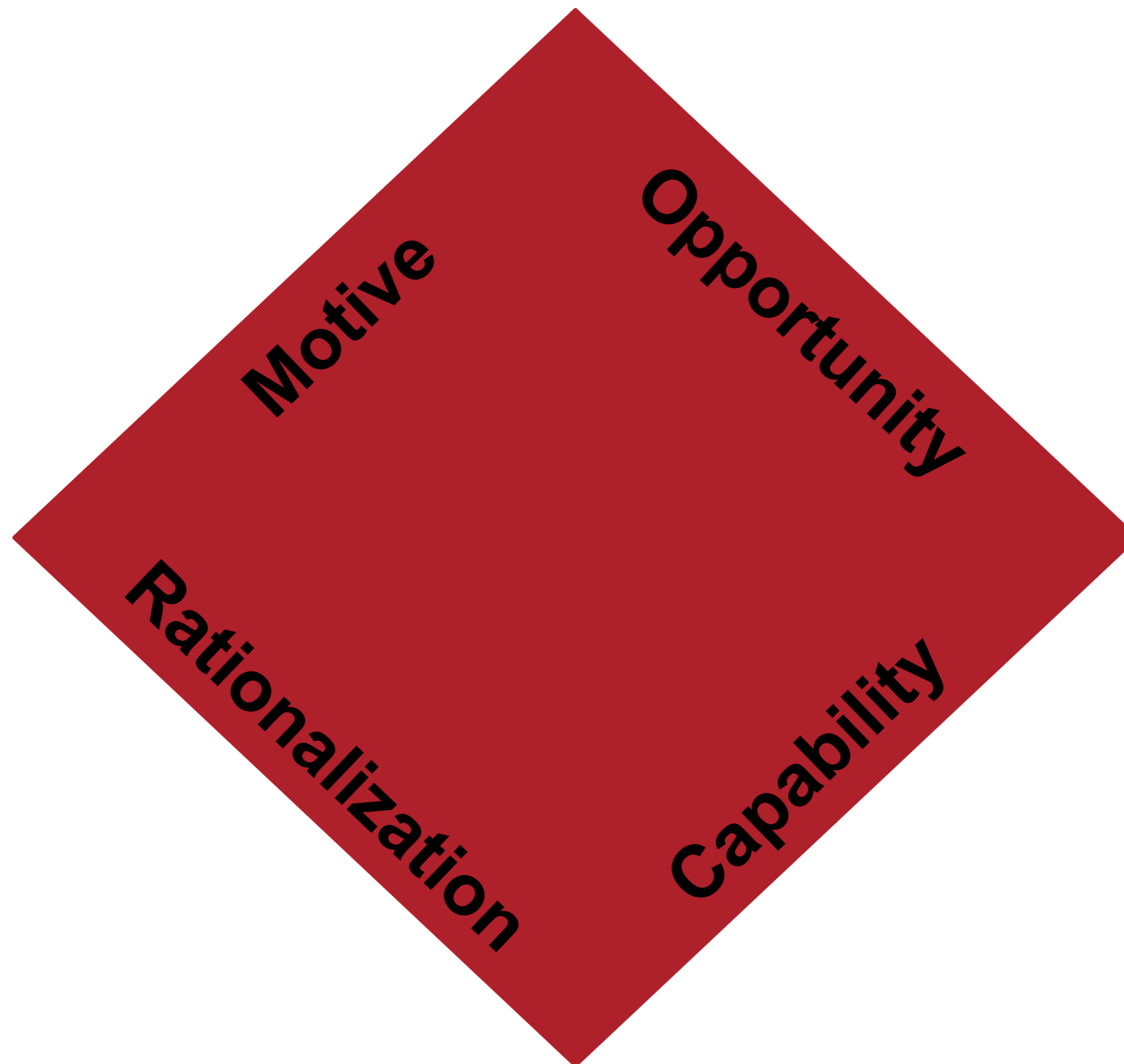
Customer Service

corruption, skimming

Where Does it Happen?



How Does Fraud Happen?



Motive Flags

- ✎ High debt
- ✎ Significant financial losses
- ✎ Excessive alcohol, drugs or gambling
- ✎ Perceived organizational inequities
- ✎ Job frustration or resentment



Opportunity Flags

- ✎ Familiarity with operations
- ✎ Ability to override controls
- ✎ No periodic rotation of key employees
- ✎ No uniform personnel policies
- ✎ Lack of strong internal controls
- ✎ Lack of action by management to pursue fraud perpetrators



Rationalization Flags

- ✎ They owe me
- ✎ I'm overworked
- ✎ I do the work of two people
- ✎ They'll never miss it
- ✎ I'll just borrow it and pay it back
- ✎ I'm not really hurting anyone
- ✎ Everyone is a little dishonest

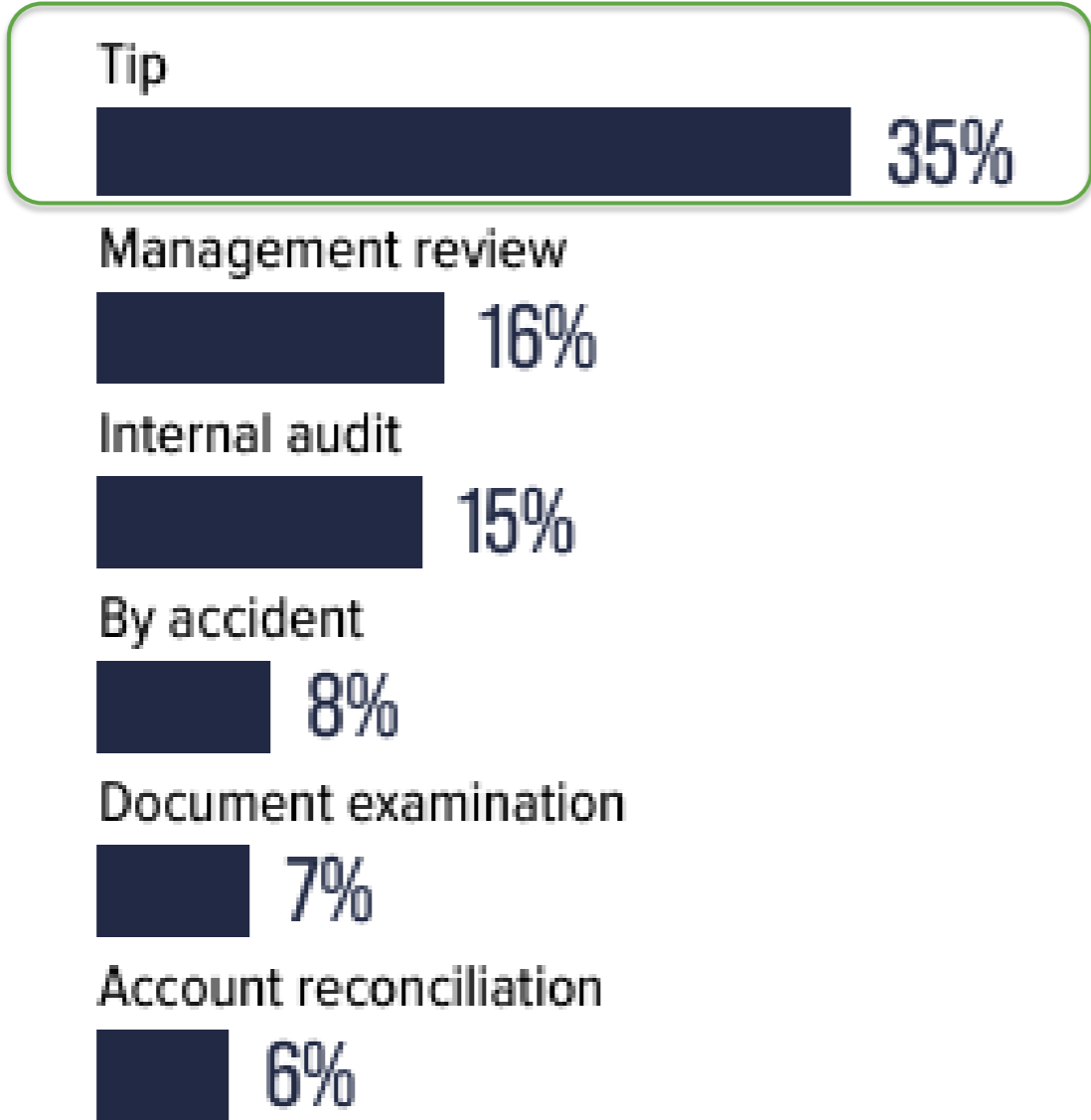


Capability Flags

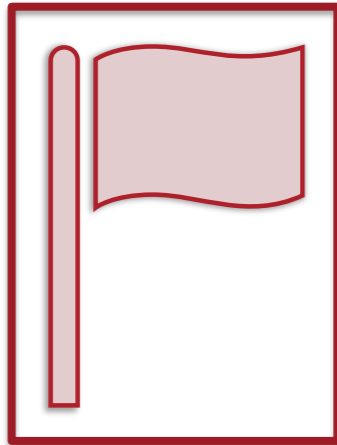
- ✍ Position/function
- ✍ Confidence/ego
- ✍ Coercion skills
- ✍ Effective lying
- ✍ Immunity to stress



How Fraud is Detected



Red Flags



A warning that something isn't right



Should lead you to take a closer look at the transaction



Document Flags

- ✍ Inadequate or apparently altered documents
- ✍ Round amounts or amounts under approval levels
- ✍ Unusual Invoice/PO numbers
- ✍ Vendor address is a PO Box
- ✍ Invoice figures do not add up
- ✍ No letterhead
- ✍ Misspellings on document
- ✍ No hourly rates
- ✍ Vague information (e.g., no description of services)

Invoice Exercise – Can You Spot the Document Flags?

Example Invoice

ABC Office Supplies, Inc.
PO Box 1001
Rochester, NY 14607
United States

Invoice

Date: 02/01/2024
Invoice Number: NYS001
Pay Terms: Net30 Days

Bill To	Ship To
New York State Attn: John Smith 110 State Street Albany, NY 12236	New York State 110 State Street Albany, NY 12236

ORDER LINE	ITEM NUMBER	DESCRIPTION	ORDER QTY	UNIT MEASURE	SHIP QTY	UNIT PRICE	TOTAL PRICE
1	24433144	Copy Paper 8.5" x 11", White 5000 Sheets/ Carton	6	CT	6	\$85.00	\$510.00
2	364132	HP 26x Black High Yield Toner	12	PK	12	\$250.00	\$3,000.00
3	1179570	BIC Round Stic BLK Pens	3	PK	3	\$9.79	\$29.37
Freight: .00 Tax: (.0000 %) .00						Sub-Total: \$3,539.37	
						Total: \$3,539.37	

Thank You For Your Order! ABC Office Supplies, Inc.

Make checks payable to ABC Office Supplies, PO Box 1001 Rochester, NY 14607

Page: 1

Example Invoice

ABC Office Supplies, Inc. PO Box 1001 Rochester, NY 14607 United States	Invoice Date: 02/01/2024 Invoice Number: NYS001 Pay Terms: Net30 Days																																								
Bill To New York State Attn: John Smith 110 State Street Albany, NY 12236	Ship To New York State 110 State Street Albany, NY 12236																																								
<table><thead><tr><th>ORDER LINE</th><th>ITEM NUMBER</th><th>DESCRIPTION</th><th>ORDER QTY</th><th>UNIT MEASURE</th><th>SHIP QTY</th><th>UNIT PRICE</th><th>TOTAL PRICE</th></tr></thead><tbody><tr><td>1</td><td>24433144</td><td>Copy Paper 8.5" x 11", White 5000 Sheets / Carton</td><td>6</td><td>CT</td><td>6</td><td>\$85.00</td><td>\$510.00</td></tr><tr><td>2</td><td>364132</td><td>HP 26x Black High Yield Toner</td><td>12</td><td>PK</td><td>12</td><td>\$250.00</td><td>\$3,000.00</td></tr><tr><td>3</td><td>1179570</td><td>BIC Round Stic BLK Pens</td><td>3</td><td>PK</td><td>3</td><td>\$9.79</td><td>\$29.37</td></tr></tbody></table>	ORDER LINE	ITEM NUMBER	DESCRIPTION	ORDER QTY	UNIT MEASURE	SHIP QTY	UNIT PRICE	TOTAL PRICE	1	24433144	Copy Paper 8.5" x 11", White 5000 Sheets / Carton	6	CT	6	\$85.00	\$510.00	2	364132	HP 26x Black High Yield Toner	12	PK	12	\$250.00	\$3,000.00	3	1179570	BIC Round Stic BLK Pens	3	PK	3	\$9.79	\$29.37	<table><tr><td>Freight: .00</td><td>Tax: (.0000 %)</td><td>.00</td><td>Sub-Total: \$3,539.37</td></tr><tr><td colspan="3"></td><td>Total: \$3,539.37</td></tr></table>	Freight: .00	Tax: (.0000 %)	.00	Sub-Total: \$3,539.37				Total: \$3,539.37
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Make checks payable to ABC Office Supplies, PO Box 1001 Rochester, NY 14607																																									
Page: 1																																									

Example Invoice

Invoice

XYZ Staffing, Co.

1 Main Street
Poughkeepsie, NY 12601-12604
Phone: (845) 555-5555

Date	Payment Term	PO Number
01/16/2023	30 Days	XX0000111

Billing Address:

New York State
Attn: John Smith
99 Washington Ave
Albany, New York 12210

Amount Due	\$35,050.75
-------------------	--------------------

Descirption	Quantity Received	Amount
Staffing Services 11/06/23 - 11/10/23	10.7 Hrs	\$2,080.25
Staffing Services 11/13/23 - 11/17/23	75 Hrs	\$15,767.00
Staffing Services 11/20/23 - 11/24/23	56.6 Hrs	\$13,112.25
Staffing Services 11/27/23 - 12/01/23	25.4 Hrs	\$4,091.25

Please Pay This Amount	\$35,050.75
-------------------------------	--------------------

Example Invoice

Invoice

XYZ Staffing, Co.

1 Main Street
Poughkeepsie, NY 12601-12604
Phone: (845) 555-5555

Billing Address:

New York State
Attn: John Smith
99 Washington Ave
Albany, New York 12210

Date	Payment Term	PO Number
01/16/2023	30 Days	XX0000111

Amount Due

\$35,050.75

Descirption	Quantity Received	Amount
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Staffing Services 11/27/23 - 12/01/23	25.4 Hrs	\$4,091.25

Please Pay This Amount

\$35,050.75

Page 1

Bid Rigging Flags

Vendors

Fake Vendors

- Employee created bids

Real Vendors

- No knowledge of bid submission
- Shared owner with favorable vendor
 - Rescind bid



Contracting Flags

- ✎ Restrictive or vague specifications
- ✎ Bids/quotes received from the same fax
- ✎ Similar letterheads of bidders
- ✎ Unreasonable bid amounts
- ✎ Lack of vendor contact information on bids
- ✎ Signature on bid is the company name instead of an individual



Conflict of Interest Flags

- ✍ Relationships between awardee and agency staff
 - Address or identification number match
- ✍ Unexplained or unusual patterns of use of a particular vendor



Bribes and Kickback Flags

- Ⓜ Unexplained or unusual patterns of use of a certain vendor
- Ⓜ Relationships between awardee and agency staff
- Ⓜ Unexplained, but significant increase in wealth of employee



Finding Relationships Within an Organization

Check the
Financials

Google/Google
Maps

White Pages

LexisNexis/
Accurint

NFP's 990

www.guidestar.org

www.charitiesnys.com

<https://www.irs.gov/charities-non-profits/tax-exempt-organization-search>

For Profit - published

Break Time!

Please return on time to remain on schedule.

7-Step Monitoring Process

7-Step Monitoring Process



IDENTIFY
PAYMENTS TO
REVIEW



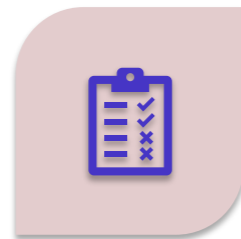
UNDERSTAND
REQUIREMENTS



IDENTIFY RISKS



PRIORITIZE RISKS



DETERMINE RISK
RESPONSE



DESIGN/EXECUTE
MONITORING
ACTIVITIES



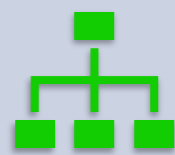
FOLLOW UP

Step 1: Identify Payments to Review

Step 1: Identify Payments to Review



What data do you have available?



What are your department's internal controls?



How can this help you identify payments to review?



“It’s important to have transparency so New Yorkers are empowered with information they need to hold their elected officials accountable.”

— State Comptroller Thomas P. DiNapoli

Open Book New York

Search Millions of State and Local Government Financial Records

As the State's Chief Financial Officer, Comptroller DiNapoli believes New Yorkers deserve to know how their tax dollars are spent. Without transparency in government, there cannot be accountability. His open data initiatives are a commitment to this belief.

If you've ever wondered how much it costs to run your fire department or how much your city spends on education, you can easily track where money is going and how it's being reflected in the State's spending priorities using the Comptroller's Open Book New York.

Also see [Additional Financial Information](#).



State Contracts

Search 260,000 contracts that State agencies have with businesses, not-for-profit organizations and other governmental entities in effect April 1, 2012, or later. Includes both contracts approved by the Office of the State Comptroller and those that don't require approval by the Office.

[Search Contracts](#)

[Also see State Contracts by the Numbers](#)



State Payments

Search payments made by the state since April 1, 2012, which now includes about 17,000 new payments each day, and contains the agency submitting the payment request, the payment recipient, the payment amount and the date the payment was made.

[Search Payments](#)

[Also see Legislative Travel and Per Diem Expenses](#)

OPEN BOOK NEW YORK

[Home](#) | [Overview](#) | [Search Tips](#) | [Contact Us](#) | [Feedback](#)

[Home](#) > NYS Contract Search

NYS Contract Search

Search Criteria

Agency Name

Select Agencies



Authority Name

Select Authorities



Vendor Name

Enter Vendor Name



Begins With



Contains



Exact Match

Contract Number

Enter Contract Number

Contract Type

Select Contract Type



Original Contract Approved/Filed Date



▼

Contract Period



▼

▼

Current Contract Amount



▼

Search

Reset

i

Contract Search Results

17,589 Contracts Found - Displaying page 1 of 352
Agency = Health, Department of

12345678910111213141516171819202122232425 - [Next \(25\)](#) - [Last](#)

[Download Summary Contract Information to a Printer Friendly \(PDF\)](#)

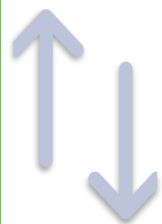
[Download Summary Contract Information to an Excel Spreadsheet](#)

[Download Additional Contract and Related Amendment Data for OSC approved transactions](#)

Vendor Name	Department/Facility	Contract Number	Current Contract Amount	Spending to Date	Contract Start Date	Contract End Date	Contract Description	Contract Type	Original Contract Approved/Filed Date
QUEST DIAGNOSTICS INC	Helen Hayes Hospital	C000594	\$584,254.71	\$0.00	09/01/2025	08/31/2028	Laboratory testing services	Consultant - Medical Related Services	06/26/2025
JENNIFER TEMPS INC	Department of Health	OC0003186	\$243,906.00	\$0.00	07/07/2025	07/06/2027	Executive Secretaries and Administrative Assistant services, New York County, 73003, 23246, PS69642	Service - Temporary Personnel Services	07/11/2025
RED RIVER TECHNOLOGY LLC	Department of Health	OCP001267	\$474,542.00	\$0.00	07/03/2025	06/30/2026	Correction to AWS Cloud Solution value, 73600, 22802, PM69693	Commodity - Computer Hardware And Software	07/18/2025
ROCHESTER GENERAL HOSPITAL	Department of Health	C41087GM	\$65,000.00	\$0.00	07/01/2025	06/30/2030	School Health Sub-Schedule	Grant	07/18/2025
SYSCO SYRACUSE LLC	Department of Health	OC042277	\$1,271,734.00	\$0.00	07/01/2025	06/18/2028	Purchase of food for Batavia Veterans Home; 02450, 23199, PC69159	Commodity - Groceries	07/18/2025
PLANNED PARENTHOOD OF CENTRAL AND WESTERN NY INC	Department of Health	T41655GM	\$3,683,523.00	\$306,960.00	07/01/2025	06/30/2028	NYS Abortion Access Program	Contracts Not Subject to OSC Pre-Audit	07/07/2025
CHOICES WOMENS MED CTR	Department of Health	T41632GM	\$1,755,549.00	\$0.00	07/01/2025	06/30/2028	NYS Abortion Access Program	Contracts Not Subject to OSC Pre-Audit	07/21/2025
JUNIPER MIDWIFERY AND WOMENS HEALTH NURSE PRACTITIONER PLLC	Department of Health	T41639GM	\$882,156.00	\$0.00	07/01/2025	06/30/2028	NYS Abortion Access Program	Contracts Not Subject to OSC Pre-Audit	07/16/2025
MEDISCRIBES SOLUTIONS INC	Helen Hayes Hospital	C005901	\$577,900.00	\$24,873.33	07/01/2025	06/30/2030	Clinical documentation and medical coding technology	Commodity - Computer Hardware And Software	06/16/2025
PBGS LLC	Department of Health	T41653GM	\$1,755,549.00	\$0.00	07/01/2025	06/30/2028	NYS Abortion Access Program	Contracts Not Subject to OSC Pre-Audit	07/21/2025

Identify Contracts to Review

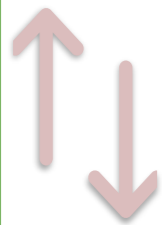
Sort Contracts



Contract amount



Vendor name and contract count



Vendor name and spending to date



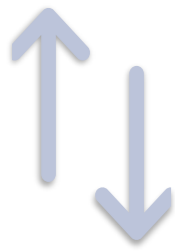
Contract start date



Contract description and contract count

Identify Contracts to Review

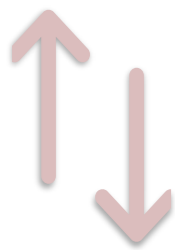
Sort Contracts



Contract description and
contract amount



Percent of contract
expended

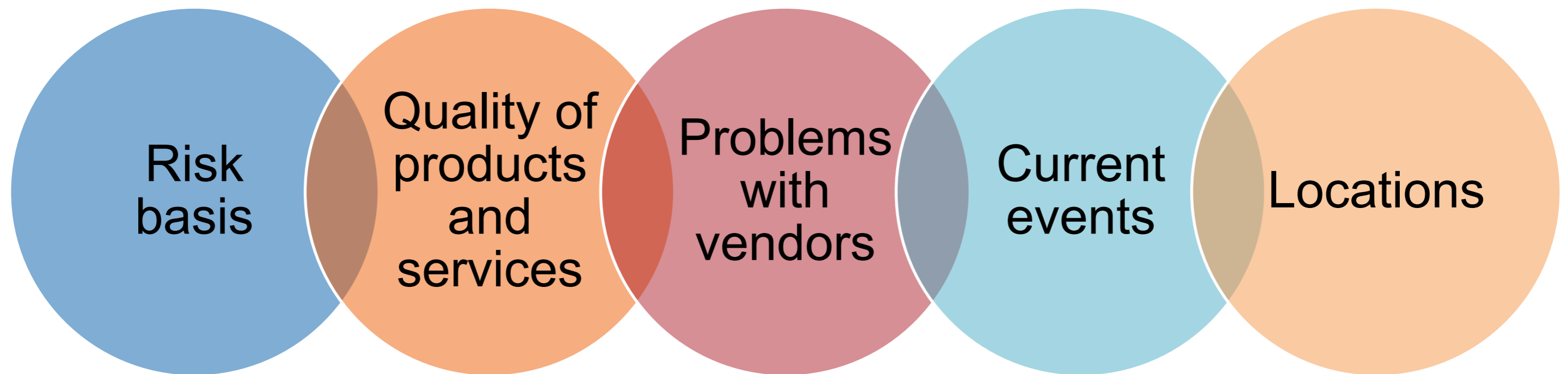


Number of years
remaining on the contract



Contract type (e.g.,
consultant, service, grant)

Common Concerns



Step 2: Understand Contract Terms

Step 2: Understand Contract Terms



Reasoning



Conversation



Purchase order
details



Contract
specifications



Laws, rules and
regulations



Guidelines

Contract Terms

GFO section XI.11.F

Understand

```
graph TD; A[Understand] --> B[Assess quality]; B --> C[Determine how to verify the terms of the contract are being met];
```

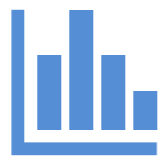
Assess quality

Determine how to verify the terms
of the contract are being met

Specifications



Specific



Measurable



Achievable



Relevant



Time-Bound

Contract Terms

Example

- **Contractor will provide:**
 - One on-site, dedicated (resident) class A elevator mechanic during the hours of 9:00 AM and 5:00 PM on Monday through Friday
 - One on-site, dedicated class A helper during the hours of 9:00 AM and 5:00 PM on Monday through Friday
- **There will be no charges for overtime**



Step 3: Identify Risks

Identify Risks

What Can Go Wrong?



Programmatic

What can prevent contract terms from being accomplished?



Fiscal

How can the vendor get money they are not entitled to?

Identify Risks

Example

Risk	Area
Contractor charges for overtime	Programmatic and Fiscal
Contractor does not provide one on-site resident mechanic and one on-site resident helper	Programmatic

Step 4: Prioritize Risks

Step 4: Prioritize Risks

HIGH

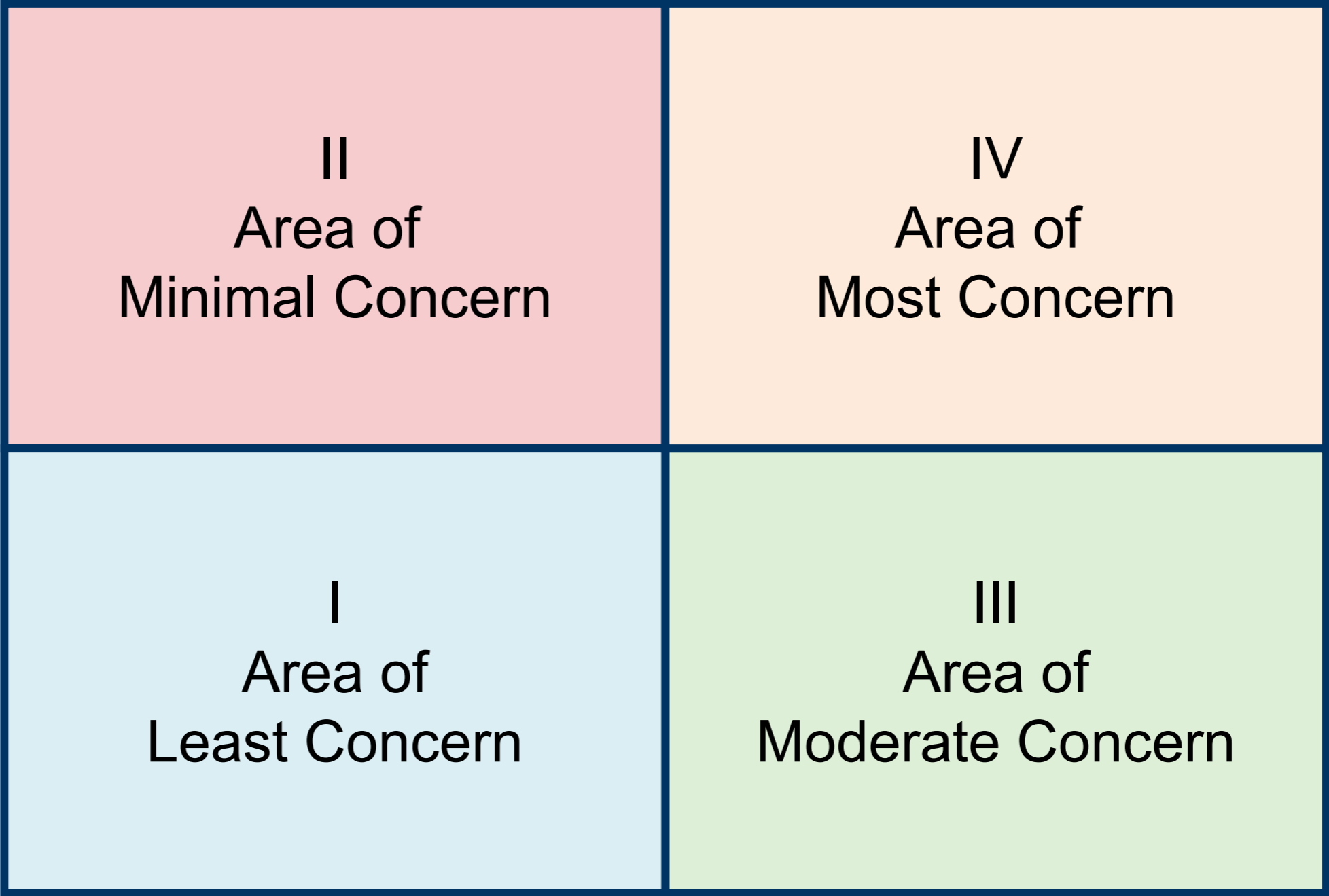
Likelihood

LOW

LOW

HIGH

Impact



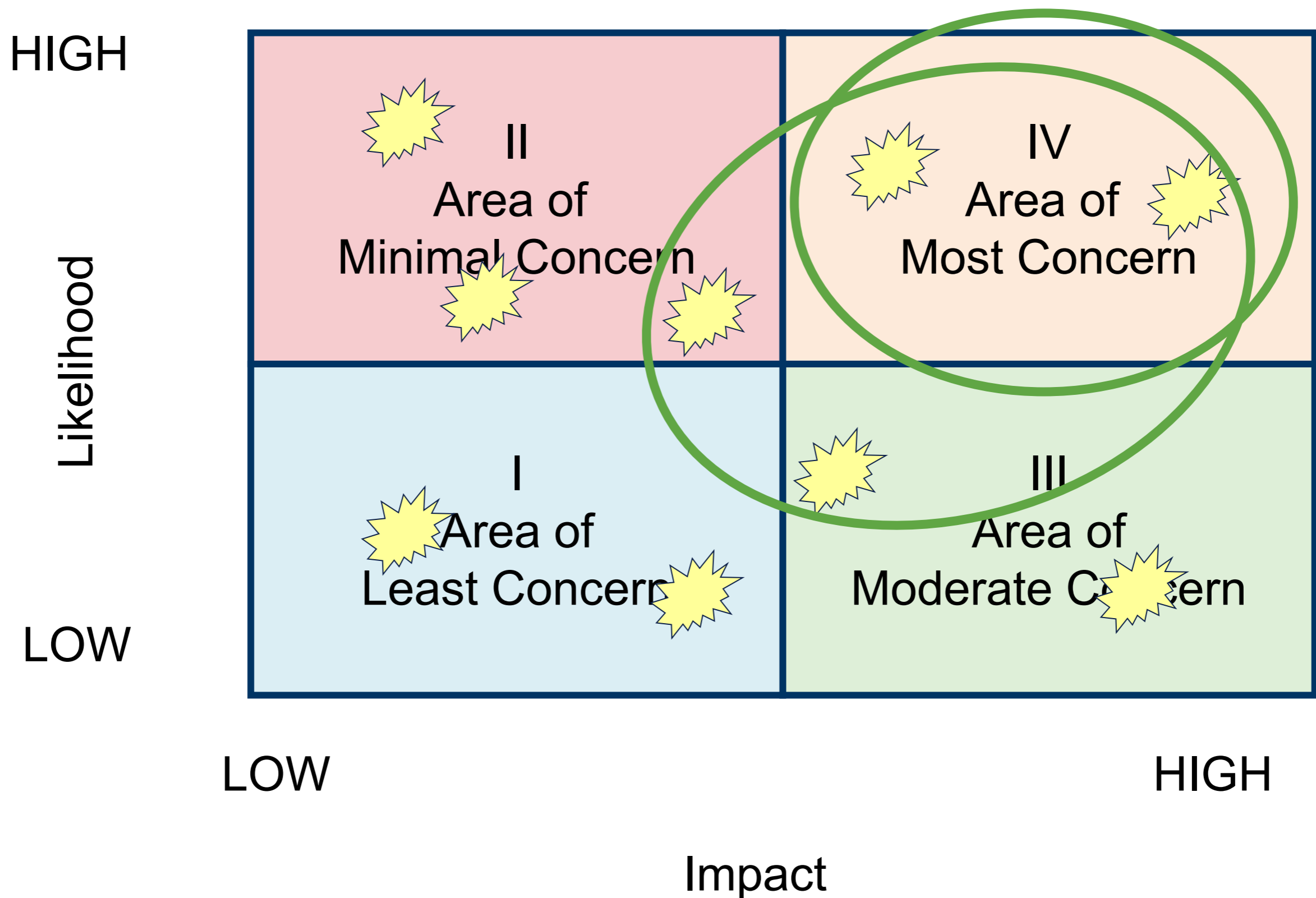
Prioritize Risks

Example

Risk	Area	Likelihood	Impact
Contractor charges for overtime	Programmatic and Fiscal	Medium	High
Contractor does not provide one on-site resident mechanic and/or one on-site resident helper	Programmatic	Medium	High

Step 5: Determine Risk Response

Step 5: Determine Risk Response



Determine Agency's Risk Response

Mitigate

- Revise administrative procedures
- Improve control systems
- Increase auditing

Accept

Determine Risk Response

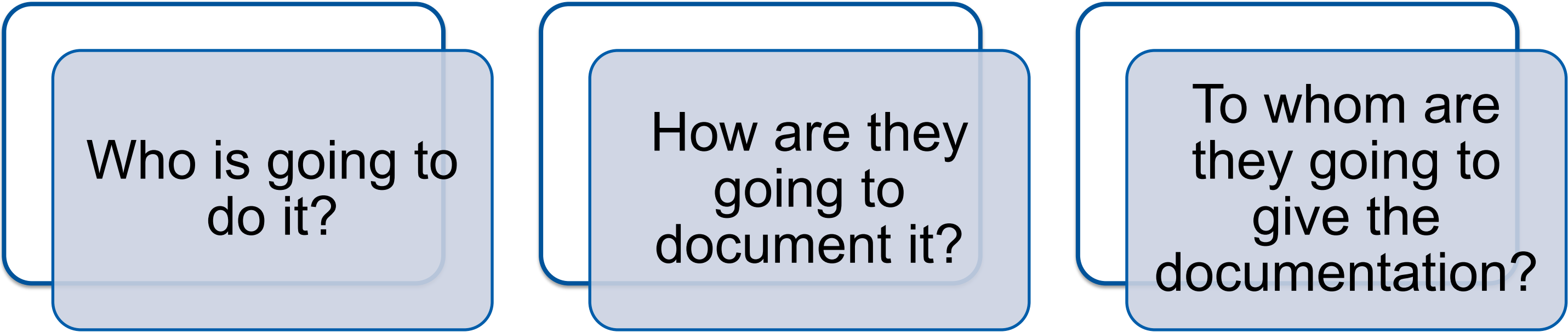
Example

Risk	Area	Likelihood	Impact	Priority
Contractor charges for overtime	Programmatic and Fiscal	Medium	High	Mitigate Risk
Contractor does not provide one on-site resident mechanic and/or one on-site resident helper	Programmatic	Medium	High	Mitigate Risk

Step 6: Design/Execute Monitoring Activities

Step 6: Design and Execute Monitoring Activities

Mitigate Risks

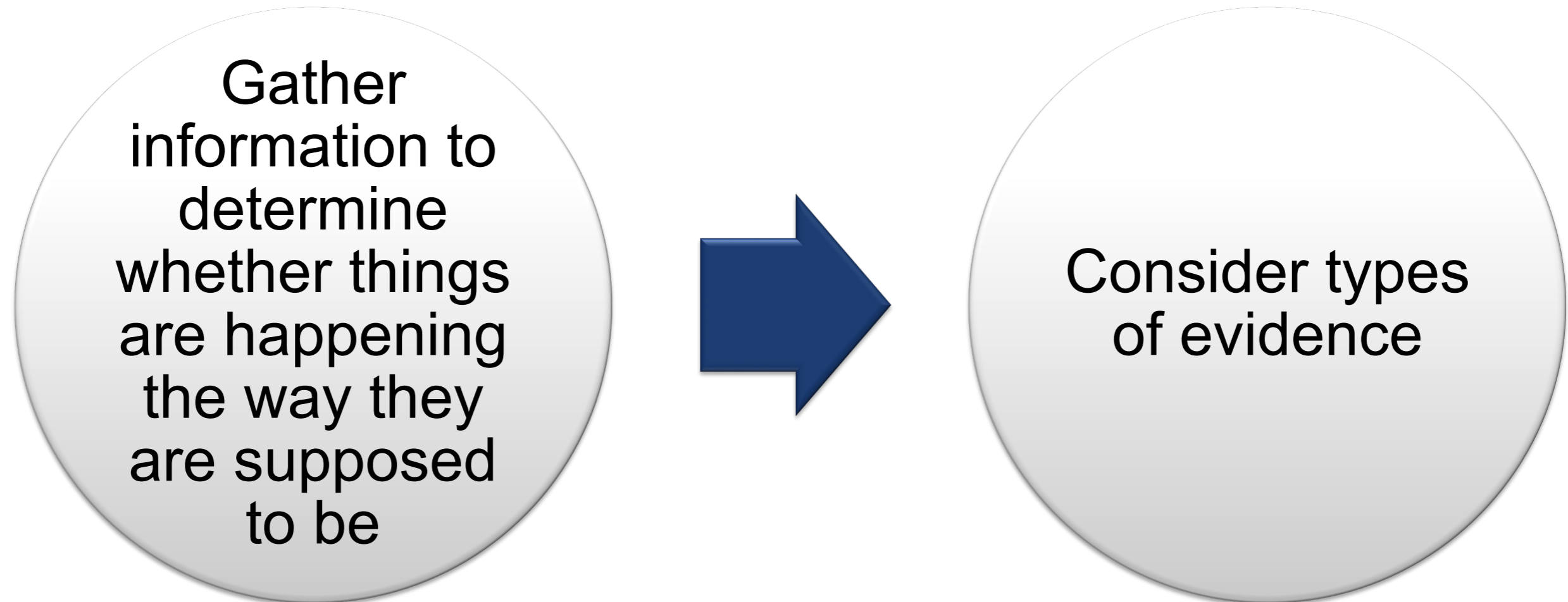


Who is going to do it?

How are they going to document it?

To whom are they going to give the documentation?

Monitoring



Evidence

Physical

Obtained by auditors' direct inspection or observation of people, property, or events

Documentary

Already existing information (e.g., letters, contracts, accounting records, invoices)

Testimonial

Obtained through inquiries, interviews, focus groups, public forums, or questionnaires

Who Should Monitor?



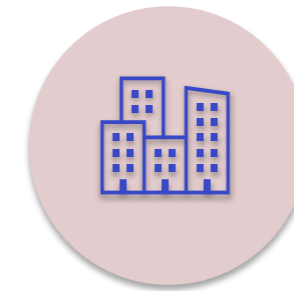
Program staff



Finance staff



Consultants



Agency auditors



OSC auditors

Professional Skepticism

An attitude that includes a **questioning mind** and **critical assessment** of information



Design and Implement Monitoring Activities

Example

Monitoring Activities	Who	How Often	How to Document	Who Receives Documentation	Where to Store Documentation
1) Contractor employees sign in and out on agency elevator oversight log 2) Facilities Maintenance Engineer periodically inspects contractor arrival and departure times	Facilities Maintenance Engineer or appropriate designee	Weekly at first More or less often as necessary	Agency elevator oversight log	Prepare email to Clerk 2 in Accounts Payable by COB the first business day of the month	Facilities Maintenance Engineer Office

Step 7: Follow Up

Step 7: Follow Up

Degree of Compliance	Agency Response
High	Re-evaluate and possibly reduce monitoring frequency
Moderate	Direct the contractor to correct identified deficiencies
	Facilitate development of a corrective action plan
	Advise accounts payable employees
	Identify and recover any overpayments
	Increase scrutiny of contractor reports and invoices
Low	Increase frequency of follow-up monitoring activities
	Facilitate development of a corrective action plan (where practical) and increase the frequency of follow-up monitoring activities
	Increase scrutiny of contractor reports and invoices
	Terminate contract where corrective action is not practical
	Advise accounts payable employees
	Identify and recover any overpayments
	Consider escalating to appropriate units within agency (e.g., counsel)

Step 7: Follow Up

Example

Risk	Degree of Compliance	Agency Response
Contractor does not provide one on-site resident mechanic and one on-site resident helper	High	Change frequency of Facilities Maintenance Engineer oversight with contractor to monthly

Want to Learn More?

Check out BSE's Voucher Certification and Review class that provides information on:

- Voucher certification
- Certification of controls over the payment process
- Agency review of invoices
- State Expenditures' Pre-Audit
- Supporting documentation



References

Guide to Financial Operations

- XI.11.F Contract Monitoring
- XII.4.B.1 Supporting Information
- XII.4.D Certification of Internal Controls Over the Payment Process
- XII.4.F Proper Invoice



Q&A