



Dutchess County

Contract Monitoring

2023M-142 | August 2024

Contents

- Report Highlights 1**

- Contract Monitoring 2**
 - How Should County Officials Ensure Vendors Provide Contracted Services and Are Paid Appropriately? 2

 - Department Officials Did Not Ensure Contractually Required Reports Were Provided 3

 - Department Officials Did Not Review Provided Reports 4

 - Department Officials Did Not Ensure Claims Contained Sufficient Supporting Documentation. 5

 - County Officials Approved Claims Outside the Contract Scope 6

 - Department Officials Did Not Ensure Policy-Required Reports Were Provided 6

 - The Comptroller’s Office Approved Claims Without Ensuring the County Department’s Supporting Documentation Was Sufficient 7

 - What Do We Recommend? 8

- Appendix A – Response From County Officials 9**

- Appendix B – Audit Methodology and Standards 11**

- Appendix C – Resources and Services 13**

Report Highlights

Dutchess County

Audit Objective

Determine whether Dutchess County (County) officials ensured that contracted vendors provided services in accordance with contract terms, and that payments were appropriate and supported.

Key Findings

County officials did not obtain reasonable assurance that certain services with contracted vendors were provided in accordance with contract terms and payments were appropriate and supported. As a result:

- Various department officials responsible for monitoring and overseeing the contracts approved claims totaling approximately \$4.5 million without ensuring that required contract progress, outcome and budget reports detailing services rendered were provided in accordance with contract terms. In addition, department officials also approved claims totaling approximately \$4.3 million without ensuring that reports provided by the vendor were reviewed before approving the claim.
- The Comptroller approved claims for payment totaling approximately \$10.5 million without ensuring supporting documentation from County departments detailing project progress and outcome and services rendered was sufficient.
- Expenditures for one contract exceeded the agreed-upon contract amount by \$215,395.

Key Recommendations

- Ensure all claims have appropriate supporting documentation and are in compliance with contract guidelines.
- Monitor the contract to ensure that the agreed-upon contract amount is not exceeded.

County officials agreed with our findings and indicated that they plan to initiate corrective action.

Audit Period

January 1, 2021, to December 12, 2022.

Background

The County government is divided into two branches: legislative and executive. The County Executive (Executive) is the chief executive and budgetary officer responsible for preparing and submitting the annual operating budget to the County Legislature (Legislature) for approval. The Executive, or their designee, is responsible for approving and executing contracts on behalf of the County. The Comptroller is the chief auditing officer, responsible for auditing County departments and disbursements.

The County enters into contractual agreements with various vendors to provide and manage a wide range of public services and programs such as public resident transportation, inmate healthcare and education for children with special needs. Department officials are responsible for entering into and monitoring contracts for their department, and ensuring the requirements of the contracts are met.

Quick Facts

Total Contract Disbursements Reviewed	\$12.4 million
Total Disbursements for Contract-based Services During the Audit Period	\$480 million
Total Disbursements	\$662 million

Contract Monitoring

How Should County Officials Ensure Vendors Provide Contracted Services and Are Paid Appropriately?

County officials should establish contract-monitoring procedures to ensure contracted services are provided in accordance with contract terms and that payments are appropriate and supported. To do this, they should request and review all supporting documentation required by contract terms before authorizing and approving claims for payment.

County officials should adhere to the County's multi-level approval process that was designed to help ensure that the public services are delivered in accordance with the agreed-upon terms of each contract and that claims are reviewed and approved before payment. The first level of review and approval of claims starts with the County department responsible for monitoring the particular service provided to the County. To help ensure a thorough review process occurs before approving a claim for payment, department officials should request that vendors submit all supporting documentation, such as reports required by the contractual agreements. Reports can provide details on the progress of service-based projects, the quantity or detail of the service provided and/or results of completed services, which, in turn help department officials determine whether the vendors provided the services in accordance with contractual obligations. Department officials responsible for overseeing a particular service or services should review the reports submitted by the vendor to ensure the reports are accurate and consistent with the negotiated contract terms before approving any claims.

Officials should also ensure vendors comply with the County's "Contractual Services Policy" (Policy) which requires that vendors who provide certain programs or services to the public on behalf of the County, submit progress reports and/or payment requests at least on a quarterly basis. Service-based contracts to which the Policy is attached are subject to the requirements of the Policy. Amongst other requirements, when a claim for payment is submitted, the Policy indicates that the payment request documentation includes general ledger transaction detail. This detail is to include the vendor's name, date of service, payment type and date (check or transaction number) and amount of the expense allocated to the department that oversees the contract. The Policy further states the payment request documentation is to include copies of receipts or invoices to substantiate general ledger transactions for expenditures exceeding \$1,000. By obtaining and reviewing a vendor's general ledger detail, department officials have more assurance that the public services are being delivered in accordance with the contractual agreement.

Finally, upon approval by department officials that contractual services were provided in accordance with contract terms, the vendor's claim for payment is to be submitted to the County Comptroller's Office (Comptroller's Office). The Comptroller's Office is responsible for reviewing and auditing each claim for

accuracy and approval for payment as the second level of the claims approval process. As part of this procedure, the Comptroller's Office may require department personnel to provide any missing documentation to help ensure the claim is properly supported and in compliance with contract terms prior to approval for payment. For instance, the Comptroller's Office should calculate cumulative expenditures for the fiscal year to ensure the agreed-upon contract amounts have not been exceeded.¹ The County's Finance Department should only pay claims that have been approved by the Comptroller's Office.

Department Officials Did Not Ensure Contractually Required Reports Were Provided

We reviewed 10 contracts with expenditures totaling approximately \$12.4 million, for public services and programs to be provided to the County. Seven of the 10 contracts we reviewed, totaling \$10,316,902, required that the service provider submit progress reports or outcome reports to the County. However, the County did not receive progress reports or program outcome reports from five of the seven service providers for claims totaling \$4,479,897 and, as a result, department officials could not confirm services were provided in accordance with contract terms.

This occurred because department officials did not require that vendors submit all reports as required by contract terms, which are needed to confirm services were provided. In addition, the County officials did not develop adequate written contract-monitoring procedures for department officials to follow when monitoring contractual agreements with service providers, which likely contributed to department officials not ensuring all required reports were submitted before claims were approved to be paid. Specifically, progress or outcome reports are important as the reports provide detail on the status of contracted services rendered by vendors. The reports, in turn, help department officials determine whether the vendors provided the services for which they are requesting payment.

For the seven contracts, we determined the following with respect to obtaining and reviewing reports:

- In three instances, the contracts for preschool educational services required the vendor to provide contract outcome reports. However, department officials responsible for monitoring and overseeing the contracts approved claims totaling \$2,764,948 without ensuring that the contract outcome reports were provided to the County.

¹ <https://www.osc.state.ny.us/files/local-government/publications/pdf/improving-the-effectiveness-of-claims-auditing-process.pdf>

-
- In another instance, a contract for community support program services required the vendor to provide monthly budget reports, program budget reports, as well as a program outcome report. However, department officials responsible for monitoring and overseeing the contracts approved claims totaling \$1,511,191 without ensuring any of the reports were provided to the County.
 - In addition, one contract for public transportation required monthly, quarterly and annual maintenance reports, as well as monthly financial reports, to be provided to the relevant County department throughout the contract term. However, claims totaling \$203,758 were approved by department officials without receiving any of these reports from the vendor.

As a result, department officials could not confirm that vendors provided the services for which they were requesting payment.

Department officials indicated that they didn't request preschool educational service contract outcome reports because all of the reporting is done through the "preschool module," which is an electronic database that contains confidential student information regarding services provided by the vendor. While we recognize the importance of the County to maintain confidential information, the department official responsible for approving the claims had no supporting documentation to verify services were provided in accordance with contract terms.

Further, the Department of Community and Behavioral Health (DBCH) officials stated program outcome and budget reports and monthly budget reports for community support program services might have been provided to an individual within the DBCH that was not responsible for entering or approving claims. Hence, the reports were not reviewed or available to the DBCH official responsible for approving the claim for payment. However, even if the reports were provided to someone else in the DBCH, it does not prevent the responsible official from requesting the required reports to perform an adequate review of services provided before approving the claim.

Department Officials Did Not Review Provided Reports

For the two contracts we reviewed where vendors provided reports to the County, the reports were not always reviewed by the department official responsible for completing the first-level review and approval of the claims. For instance, one contract required that the vendor submit monthly, quarterly and annual reports containing analysis of services rendered along with accompanying invoices. While the required reports and invoices were provided by the vendor to the County, we were told that the individual responsible for overseeing the contract did not review the reports before approving each of the invoices. Rather, claims were entered and approved by a Clerk who was not responsible for contract oversight. Thus,

the department official did not complete the first-level review and approval of claims totaling \$4,277,444.

Department officials stated that there was no need for separate entry and supervisory approval as the monthly amount for services provided was the same each month. However, after discussing the lack of approval of claims by the Departmental Director of Budget and Finance with department officials, they indicated that a new claim entry procedure was implemented in which separate individuals are responsible for the entry and approval of any given claim, including the individual responsible for the oversight of the contract.

Department Officials Did Not Ensure Claims Contained Sufficient Supporting Documentation

We also reviewed the 10 contracts to determine if any other supporting documentation was required to be provided by the vendor to the County. We found that 34 claims were approved by department officials despite a lack of sufficient required detail. For example:

- “Catastrophic billing invoices” for offsite care of inmates under the custody of the County Sheriff did not contain documentation to help ensure billed services were provided. Six invoices totaling \$96,552 included a spreadsheet that listed the individuals who received offsite care and how much was paid by the service provider. The spreadsheet, however, did not include a detailed breakdown of the costs relating to each inmate’s care from offsite care providers. Without this additional information, appropriate Jail department officials would not have been able to verify that the costs listed on the spreadsheet were consistent with the actual costs of the care received. In response to our concern, department officials stated that offsite care invoices have never been requested to be included with the “Catastrophic billing invoices.” However, department officials indicated the department has since contacted the service provider and requested that supporting documentation be included in the future. Officials should use this information to ensure they pay for actual services provided and costs incurred.
- One contract with DBCH for security services required invoices to include a certified payroll; documentation verifying work was performed, signed by attending County staff; and confirmation that wages conformed with prevailing wage rates. The 28 claims tested for the audit period, totaling \$264,200, did not include certified payrolls. For 23 out of 28 claims totaling \$214,603, documentation verifying that work was performed, signed by attending County staff, was not provided. Finally, the wages for four claims, totaling \$39,984 did not agree with the approved prevailing wage rates, resulting in the County underpaying the vendor by \$4,381.

When department officials review and approve the invoices without having or requesting and reviewing supporting documentation, they cannot adequately evaluate the contract and verify that paid-for services were provided as agreed upon.

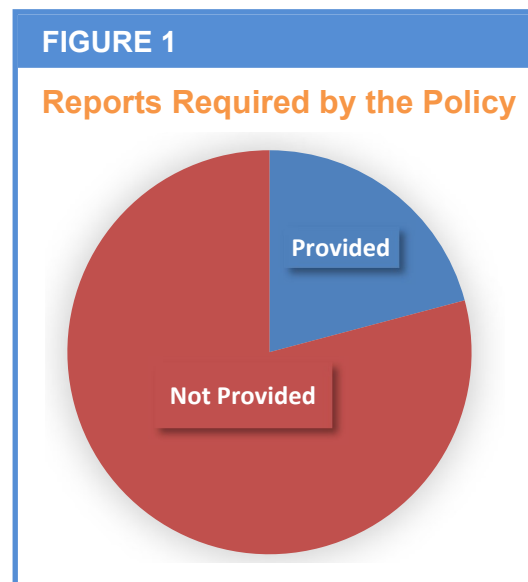
County Officials Approved Claims Outside the Contract Scope

We reviewed claims for each of the 10 contracts to determine if the claims complied with the contract terms. We found that 12 of the 236 claims tested did not align with contract terms.

For example, one requirement of a contract for public transit was to provide workers' compensation insurance to employees. However, 12 workers' compensation claims for public transit employees totaling \$340,515 were not attributed to the contract within the County's financial system. In addition, County officials did not maintain monthly summary and operations reports detailing the number of workers' compensation and disability absences, or annual reports detailing claims experience, recap of significant loss trends, and projections for the following year as required by the contract. Department officials stated that for workers' compensation claims they followed directions for invoice entry from the Comptroller's Office which never requested or required the invoices to be applied to the contract module in the financial system.

Department Officials Did Not Ensure Policy-Required Reports Were Provided

We also reviewed the 10 selected contracts to determine if the County's adopted Policy was attached. The Policy requires various reports to be provided by vendors submitting invoices. Six of the contracts, with claims totaling \$7,477,728, had the Policy attached. Five of these contracts, with claims totaling \$5,918,167 (or 79 percent of claims submitted pursuant to the Policy), were entered and approved by department officials without the accompanying quarterly progress reports or general ledger detail reports as required by the Policy (Figure 1). Department officials responsible for monitoring and overseeing the contracts did not ensure that the required reports were provided by the service providers. In the absence of quarterly reports, there is an increased risk that department officials are unaware of the status of the contracted programs. Similarly, without



general ledger detail reports, there is an increased risk that department officials will not be able to know the expenditures spent to date, and whether the contractual agreement could potentially exceed the agreed-upon terms of each contract.

The Comptroller's Office Approved Claims Without Ensuring the County Departments' Supporting Documentation Was Sufficient

The Comptroller's Office is responsible for the second-level review and approval of claims, prior to the payment of claims by the County Department of Finance. We reviewed 236 claims totaling \$12.77 million and determined that the Comptroller's Office approved 194 claims for payments totaling \$10,492,032 without ensuring that supporting documentation provided by the relevant departments was sufficient and in compliance with contract terms. For example:

- The Comptroller's Office approved \$215,395 in claims for jail inmate routine healthcare services that exceeded the agreed-upon contract amount of \$4,062,049.
- For all claims related to preschool special services totaling \$2,764,948, no supporting documentation itemizing services rendered was attached to the invoice.
- Six claims for community support services for County residents totaling \$1,511,191 were approved for payment by the Comptroller's Office with no supporting documentation detailing services rendered attached to the invoice.

County officials use an electronic financial system with contract modules to oversee the claims review and approval process. The contract module allows officials to keep track of budgeted versus actual spending by contract. In some instances, claims were paid in excess of the agreed-upon contract total because department officials attributed claims to a previous year's contract that had not been fully exhausted. When we brought this to the attention of department officials, they indicated that they contacted the vendor and are attempting to recoup the excess payments.

Officials in the Comptroller's Office said they rely on each County department to ensure that supporting documentation was provided by vendors, and instead focuses primarily on the monetary aspects of contracts. In addition, the Comptroller indicated that they have been pushing for the contract module in the financial system to include more service providers' supporting documentation.

When the various department officials do not provide the Comptroller's Office with sufficient supporting documentation, the Comptroller's Office cannot carry out its essential functions, including determining whether claims are in compliance

with County policies and contractual obligations. Further, when claims are paid without adequate supporting documentation, there is an increased risk that the County could incur unnecessary costs or pay for goods and services that were not actually received or were not for proper County purposes.

What Do We Recommend?

Department officials should:

1. Obtain all required vendor contract reports and retain documentation of the contract requirements.
2. Perform adequate contract oversight.
3. Develop and implement written contract monitoring procedures.
4. Ensure all claims have appropriate supporting documentation and are in compliance with contract guidelines.
5. Monitor contracts to ensure that the agreed-upon contract amount is not exceeded.

The Comptroller should:

6. Ensure that the documentation from County departments is sufficient and in compliance with contract terms prior to approving claims for payment.
7. Ensure that claims are attributed to the correct contract year within the County's financial system and that agreed-upon contract totals are not exhausted prior to approving claims for payment.

Appendix A: Response From County Officials

SUE SERINO
COUNTY EXECUTIVE



22 Market Street
Poughkeepsie, New York 12601
Phone: 845-486-2000

DUTCHESS COUNTY GOVERNMENT

June 27, 2024

Dara Disko-McCagg, Chief Examiner
Division of Local Government and School Accountability
Office of the New York State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, NY 12553-4725

Dear Dara,

Thank you for the opportunity to reply to your audit of Dutchess County's contracted services. The audit period reviewed corresponds to the tenure of the prior County Executive as well as the prior County Comptroller.

Current County Comptroller Gregg Pulver has reviewed your findings and has already worked to correct multiple processes based on your recommendations and assures me he is reviewing other practices and processes established by prior Comptrollers as well.

With \$480 million in total disbursements for contract-based services during the audit period, delivering a wide array of services and programs to our residents, we take contract management, administration, and payment very seriously as stewards of County tax dollars.

As part of our fiscal stewardship, we have a comprehensive Contracted Services Policy in place, requiring specific outcome reporting prior to payments being made. This policy is included in the final contract language for most County-funded program contracts. However, our contracted services policy did create confusion in several contracts your team reviewed. Several of the contracts reviewed were State passthrough contracts or for State mandated programs and those contracts would not have required specific outcome reporting, but the County's policy, which only applies to County funded program contracts, was incorrectly attached to those contracts. These contracts are being revised accordingly. It should be noted that although the outcome reports that are required for other County contracts were not included in the claims for these State funds, they did include other claim justification that was reviewed, reconciled, and approved at the department level and then certified to the Comptroller.

For the issue relating to required medical backup documentation not accompanying claims for Pre-School Special Education services, Comptroller Gregg Pulver has implemented new policies and procedures within the Comptroller's Office to ensure his staff is HIPAA trained to safeguard private information, so this information can now move through the audit process and can accompany a claim beyond the Health Department.

Finally, the Sheriff's Office oversees the contract for health care services for County inmates and his Office is implementing measures to verify documentation is submitted by the vendor and reviewed by staff overseeing the contract, especially related to catastrophic billing claims. The overpayment cited will be addressed and contemplated in the new contract extension.

Thank you for your review and recommendations, they are welcomed and will be utilized to be sure we continue to safeguard county resources and taxpayer dollars. County Comptroller Gregg Pulver has worked to create a corrective action plan, which will be submitted as part of the next phase of your audit process.

Sincerely,

Sue Serino
Dutchess County Executive

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed County and department officials to gain an understanding of contracting with public service and program-based providers, and components of a department contract, established how service providers invoiced the County for services and determined how those invoices were reviewed and approved at the department level, and the Comptroller's Office. Further, we obtained an understanding of how the contractual agreements were monitored by department officials.
- We obtained the cash disbursement listing for our audit period and filtered the listing to include contract-based disbursements. We used our professional judgment to select 10 contracts for testing based on materiality and issues identified during risk assessment. The scope for each contract varied based on the terms of the contract or the contract amendment. We selected contracts or contract amendments that covered one full year of the contract and falls within our audit period.
- We obtained and reviewed the 10 selected contracts to determine the terms and requirements of the agreements.
- For each contract we selected and reviewed invoices for one full contract year to determine if payments were made in accordance with the contract, and supporting documentation was provided for claims audit.
- We obtained and reviewed reports to determine if contract requirements and County Policy were met.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

The Legislature has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Legislature to make the CAP available for public review in the County Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.ny.gov/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.ny.gov/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.ny.gov/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.ny.gov/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.ny.gov/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.ny.gov/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.ny.gov/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.ny.gov/local-government/academy

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

<https://www.osc.ny.gov/local-government>

Local Government and School Accountability Help Line: (866) 321-8503

NEWBURGH REGIONAL OFFICE – Dara Disko-McCagg, Chief of Municipal Audits

33 Airport Center Drive, Suite 102 • New Windsor, New York 12553-4725

Tel (845) 567-0858 • Fax (845) 567-0080 • Email: Muni-Newburgh@osc.ny.gov

Serving: Dutchess, Orange, Putnam, Rockland, Sullivan, Ulster, Westchester counties

[osc.ny.gov](https://www.osc.ny.gov)

