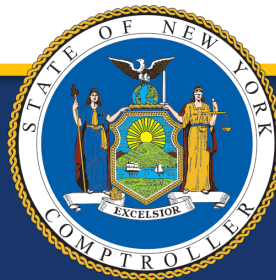


**Office of Operations'**  
**2024 Virtual Fall Conference**

# **Contract Payment Review: Are We Getting What We Pay For?**

Sam Blumenthal, Janel Carey, Alexis Lorenzana,  
Karissa Ryder



New York State Comptroller  
**THOMAS P. DINAPOLI**

# Roadmap

- Internal controls
- Monitoring necessity
- Fraud
- Seven-step monitoring process
- Agency certification
- State Expenditures' voucher pre-audit



# Internal Controls



New York State Comptroller  
**THOMAS P. DiNAPOLI**

# What Are Internal Controls?

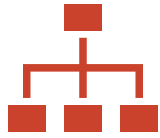
- Processes, effected by an entity's board of directors, management, and other personnel
- Designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance

Source: Standards for Internal Control in New York State Government



New York State Comptroller  
**THOMAS P. DiNAPOLI**

# 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

Source: Standards for Internal Control in New York State Government



New York State Comptroller  
**THOMAS P. DiNAPOLI**

# Importance of Internal Controls

- All organizations need internal controls to:
  - Accomplish their mission
  - Reduce opportunities for fraud
  - Prevent loss of funds or other resources
  - Establish standards of performance
  - Ensure compliance with laws, regulations, policies, and procedures
  - Preserve integrity
  - Ensure public confidence
  - Protect employees

Source: Standards for Internal Control in New York State Government



New York State Comptroller  
**THOMAS P. DiNAPOLI**

# 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

Source: Standards for Internal Control in New York State Government



New York State Comptroller  
**THOMAS P. DiNAPOLI**

# Risk Assessment



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

Source: Standards for Internal Control in New York State Government



New York State Comptroller  
**THOMAS P. DiNAPOLI**



# Control Activities



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

Source: Standards for Internal Control in New York State Government



New York State Comptroller  
**THOMAS P. DiNAPOLI**

# Information & Communication



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

Source: Standards for Internal Control in New York State Government



New York State Comptroller  
**THOMAS P. DiNAPOLI**

# 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

Source: Standards for Internal Control in New York State Government



New York State Comptroller  
**THOMAS P. DiNAPOLI**

# Monitoring Necessity



New York State Comptroller  
**THOMAS P. DiNAPOLI**

# Why Monitoring Is Necessary

- Billions in State spending
- Agencies are responsible for certifying payments are just, due, and owing
- Risks
  - Health and safety
  - Goal achievement
  - Loss of State resources
  - Reputation
- Prevent and mitigate
  - Fraud
  - Errors



# Fraud



New York State Comptroller  
**THOMAS P. DiNAPOLI**

# What is Fraud?

- Misstatement
  - Mistake vs. Fraud
- Knowledge of falsehood/intent
- Reliance by victim
- Damage



# How Much Is Lost?

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

Source: 2024 Report to the Nation on Occupational Fraud and Abuse

The frauds represented in this study were committed in 138 countries, and targeted organizations in 22 distinct industry categories.



New York State Comptroller  
**THOMAS P. DiNAPOLI**



# How Is It Committed?

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

Source: 2024 Report to the Nation on Occupational Fraud and Abuse



New York State Comptroller  
**THOMAS P. DiNAPOLI**

# Where Does It Happen?

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

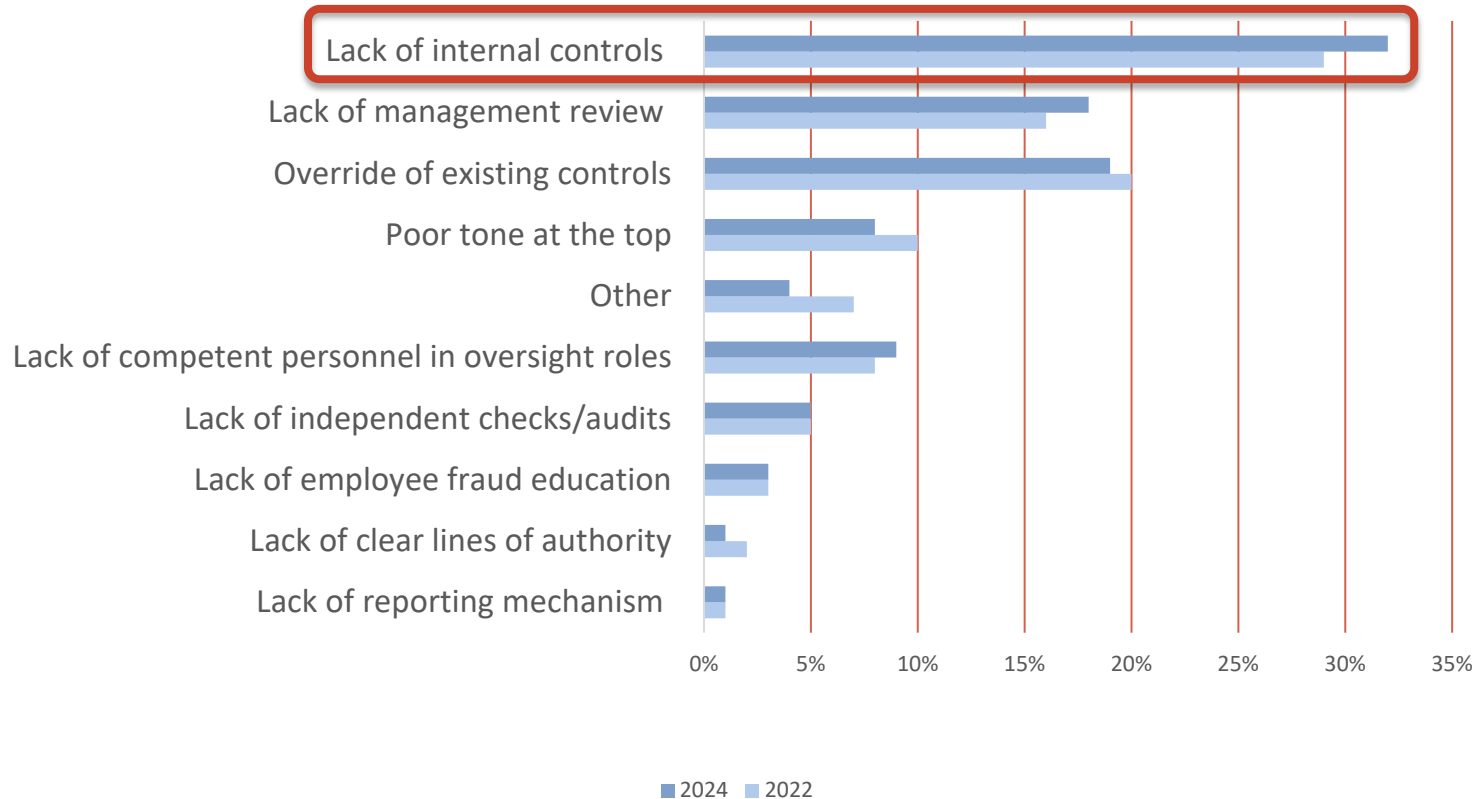
- **Operations** – corruption, noncash theft, billing
- **Accounting** – billing, check tampering, corruption
- **Sales** – corruption, noncash theft
- **Executive/upper management** – corruption, financial statement fraud, billing, expense reimbursement
- **Customer Service** – corruption, skimming

Source: 2024 Report to the Nation on Occupational Fraud and Abuse



New York State Comptroller  
**THOMAS P. DiNAPOLI**

# Internal Control Weaknesses Contribute to Fraud

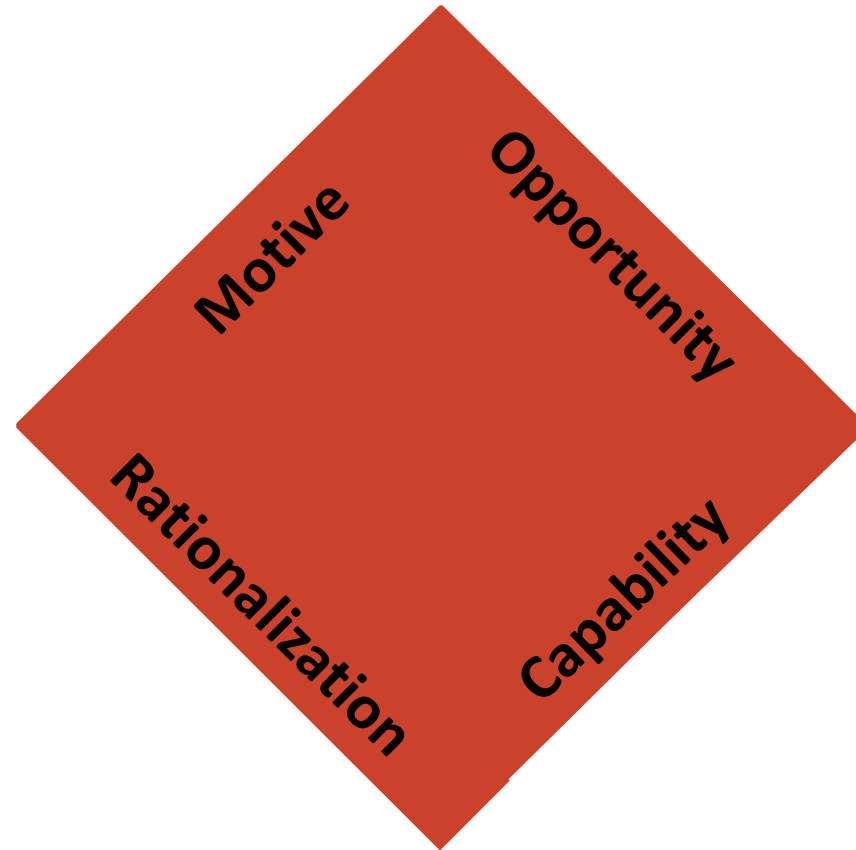


Source: 2024 Report to the Nation on Occupational Fraud and Abuse



New York State Comptroller  
**THOMAS P. DiNAPOLI**

# 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

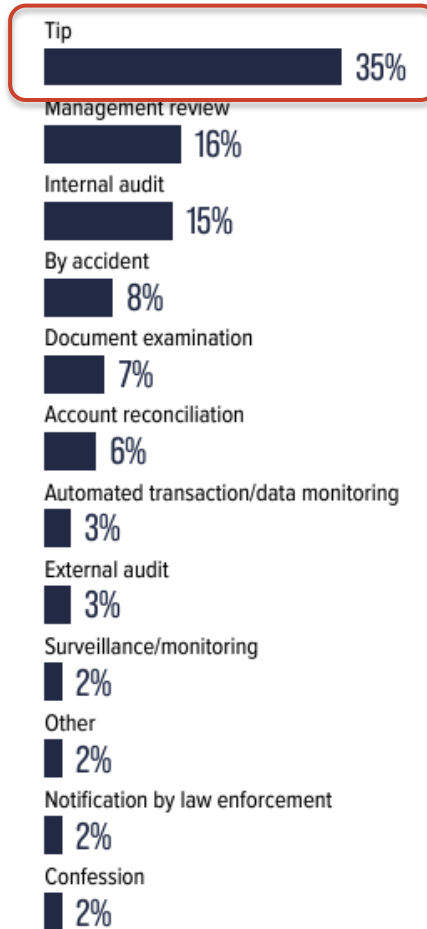
☞ Effective lying

☞ Immunity to stress





# How Fraud Is Detected



Source: 2024 Report to the Nation on Occupational Fraud and Abuse



New York State Comptroller  
**THOMAS P. DiNAPOLI**

# Red Flags

- Ⓡ A warning or sense that something isn't right
- Ⓡ Should lead you to take a closer look at the transaction



# Document Flags

- ✎ Inadequate or apparently altered documents
- ✎ Invoice figures do not add up
- ✎ No letterhead
- ✎ Misspellings on document
- ✎ No hourly rates
- ✎ Vague information (e.g., no description of services)



# Document Flags

- Ⓡ Round amounts or amounts under approval levels
- Ⓡ Unusual Invoice/PO numbers
- Ⓡ Vendor address is a PO Box
- Ⓡ Vendor address is not local, but check is cashed locally



# 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
<b>Freight:</b> .00 <b>Tax:</b> ( .0000 %)    .00						<b>Sub-Total:</b> \$3,539.37 <b>Total:</b> \$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



New York State Comptroller  
**THOMAS P. DiNAPOLI**

# 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



New York State Comptroller  
THOMAS P. DiNAPOLI

# 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

<b>Amount Due</b>	<b>\$35,050.75</b>
-------------------	--------------------

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

<b>Please Pay This Amount</b>	<b>\$35,050.75</b>
-------------------------------	--------------------

Page 1



New York State Comptroller  
**THOMAS P. DiNAPOLI**



# 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**

Descrption	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**

Page 1



New York State Comptroller  
**THOMAS P. DiNAPOLI**

# 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 Kickbacks 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 a Vendor

- Check the Financials
  - NFP's 990
    - [www.guidestar.org](http://www.guidestar.org)
    - [www.charitiesnys.com](http://www.charitiesnys.com)
  - For Profit
    - Published
- Google/Google Maps
- White Pages
- LexisNexis/Accurint

**Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors**

Check if Schedule O contains a response or note to any line in this Part VII

**Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees**

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)					(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee			
(1) .....		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
(2) .....		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
(3) .....		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			

**Section B. Independent Contractors**

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation



# Break Time!

Please return on time to remain on schedule.

Thank you.



# 7-Step Monitoring Process



New York State Comptroller  
**THOMAS P. DiNAPOLI**



# 7-Step Monitoring Process

1. Identify payments to review
2. Understand requirements
3. Identify risks
4. Prioritize risks
5. Determine risk response
6. Design/execute monitoring activities
7. 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 control activities?
- 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 230,000 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](#) > NYS Contract Search

## NYS Contract Search

### Search Criteria

Agency Name  

Authority Name  


Vendor Name  


Begins With  Contains  Exact Match

Contract Number

Contract Type  

Original Contract Approved/Filed Date 

Contract Period 

Current Contract Amount 



# OPEN BOOK NEW YORK

## Contract Search Results

16,322 Contracts Found - Displaying page 1 of 327  
Agency = Health, Department of

[1](#) [2](#) [3](#) [4](#) [5](#) [6](#) [7](#) [8](#) [9](#) [10](#) [11](#) [12](#) [13](#) [14](#) [15](#) [16](#) [17](#) [18](#) [19](#) [20](#) [21](#) [22](#) [23](#) [24](#) [25](#) - [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
<a href="#">HEALTH RESEARCH INC</a>	<a href="#">Department of Health</a>	<a href="#">X009607</a>	\$25,000.00	\$0.00	10/19/2022	10/18/2047	Technology Sales Agreement	Revenue Generating - Other	02/06/2023
<a href="#">HEALTH RESEARCH INC</a>	<a href="#">Department of Health</a>	<a href="#">X009606</a>	\$25,000.00	\$0.00	10/19/2022	10/18/2047	Technology Sales Agreement	Revenue Generating - Other	01/27/2023
<a href="#">HEALTH RESEARCH INC</a>	<a href="#">Department of Health</a>	<a href="#">X009604</a>	\$25,000.00	\$0.00	10/25/2021	10/24/2046	Technology sales agreement	Revenue Generating - Other	11/10/2021
<a href="#">HEALTH RESEARCH INC</a>	<a href="#">Department of Health</a>	<a href="#">X009603</a>	\$25,000.00	\$0.00	08/09/2021	08/08/2046	Technology sales agreement	Revenue Generating - Other	09/15/2021
<a href="#">ORYZA PHARMACEUTICALS INC</a>	<a href="#">Department of Health</a>	<a href="#">X040369</a>	\$0.00	\$0.00	02/20/2024	02/20/2044	EPIC rebate agreement	Revenue Generating - Medical/Pharmacy - DOH/EPIC	04/23/2024
<a href="#">VELOXIS PHARMACEUTICALS INC</a>	<a href="#">Department of Health</a>	<a href="#">X040153</a>	\$0.00	\$0.00	01/25/2024	01/24/2044	EPIC rebate agreement	Revenue Generating - Medical/Pharmacy - DOH/EPIC	02/27/2024
<a href="#">STEMLINE THERAPEUTICS INC</a>	<a href="#">Department of Health</a>	<a href="#">X039941</a>	\$0.00	\$0.00	11/02/2023	11/01/2043	EPIC rebate agreement	Revenue Generating - Medical/Pharmacy - DOH/EPIC	12/07/2023
<a href="#">PACIFIC PHARMA INC</a>	<a href="#">Department of Health</a>	<a href="#">X038950</a>	\$0.00	\$0.00	10/18/2023	10/17/2043	EPIC rebate agreement	Revenue Generating - Medical/Pharmacy - DOH/EPIC	11/10/2023
<a href="#">HEALTH RESEARCH INC</a>	<a href="#">Department of Health</a>	<a href="#">X009602</a>	\$0.00	\$0.00	07/02/2018	07/01/2043	TECHNOLOGY TRANSFER - BROAD SPECTRUM FLAVIVIRUS INHIBITORS	Revenue Generating - Other	07/20/2018
<a href="#">HEALTH RESEARCH INC</a>	<a href="#">Department of Health</a>	<a href="#">X009601</a>	\$0.00	\$0.00	07/02/2018	07/01/2043	TECHNOLOGY TRANSFER - MULTIPLEX FLAVIVIRUS SEROLOGY DIAGNOSIS	Revenue Generating - Other	07/20/2018



# Identify Contracts to Review

Sort contracts by:

- Contract Amount
- Vendor Name and Contract Count
- Vendor Name and Spending to Date



# Identify Contracts to Review

Sort contracts by:

- Contract start date
- Contract description and contract count
- 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

- Risk basis
- Other factors
  - Quality of products and services
  - Problems with vendors
  - Current events
  - Locations



# Step 2:

## Understand Contract Terms



# Step 2

## Understand Contract Terms

- Reasoning
- Conversation
- Purchase order details
- Contract specifications
- Laws, rules and regulations
- Guidelines



# Contract Terms

- Understand
- Assess quality
- Ask:
  - How can I verify that the terms of the contract are being met?



# Specifications

- **Specific**
- **Measurable**
- **Achievable**
- **Relevant**
- **Time-Bound**

SMART



# 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



# Step 3 – 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

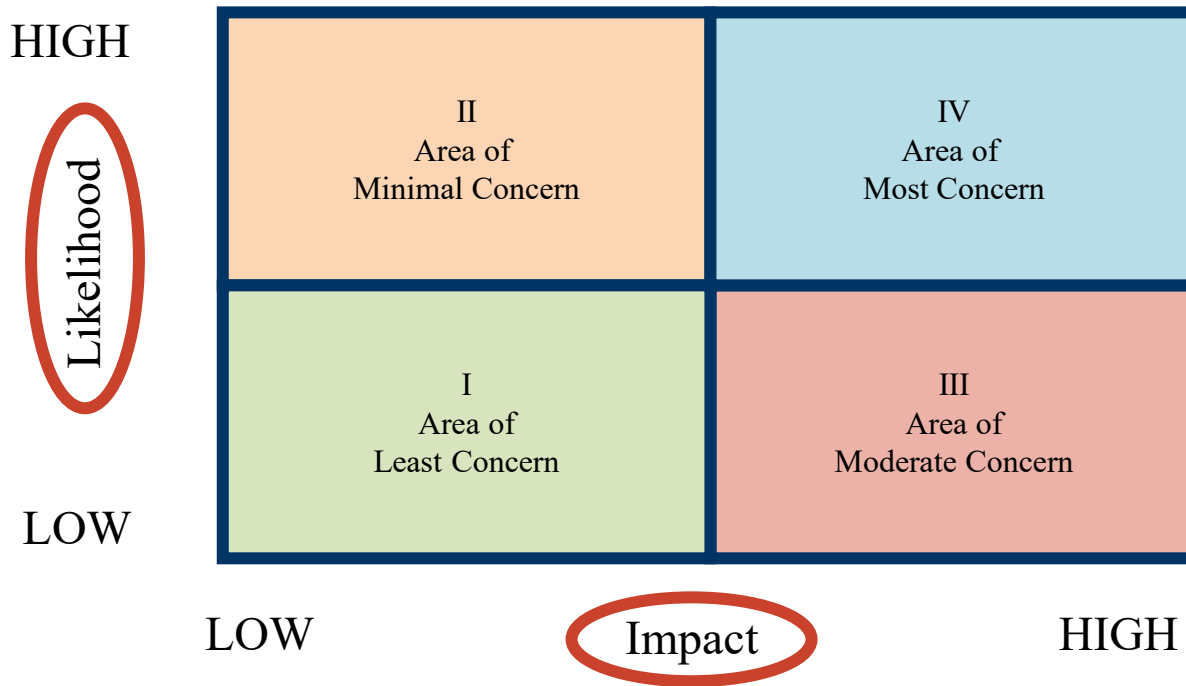


# Step 4:

## Prioritize Risks



# Step 4 – Prioritize Risks: So, What’s the Big Deal?



# 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

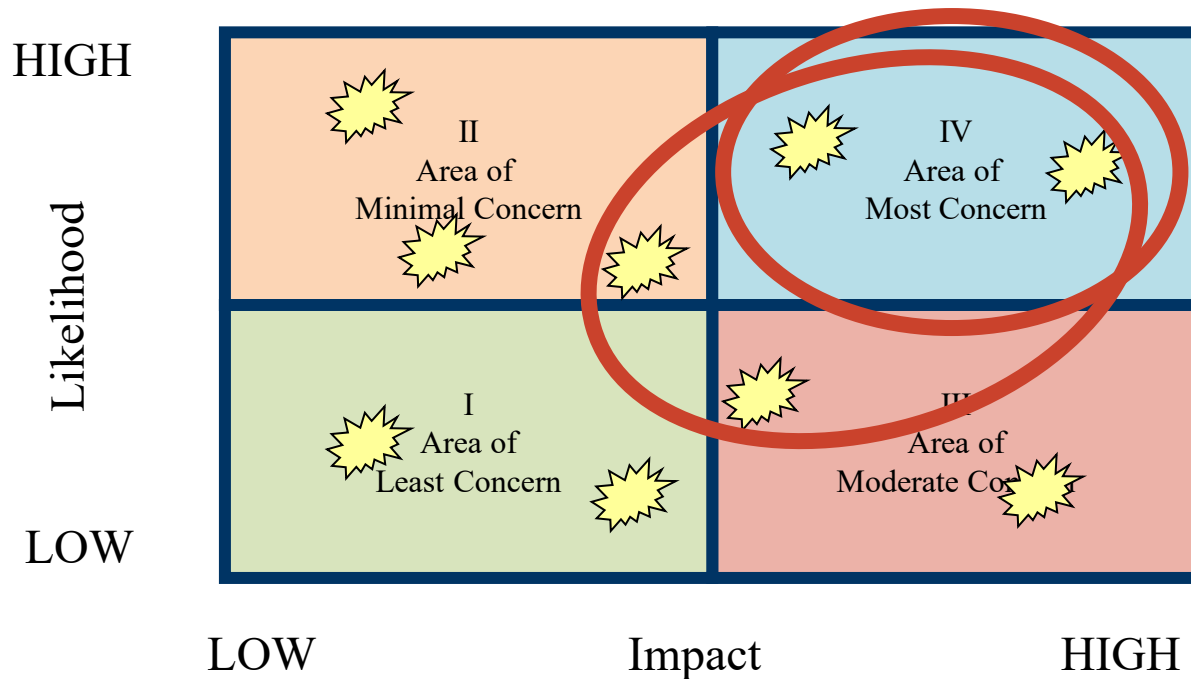


# Step 5:

## Determine Risk Response



# Step 5 – Determine Risk Response



# Determine Agency's Response to the Risks

- Mitigate
  - Revise administrative procedures
  - Improve control systems
  - Increase auditing
  - Other
- 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 Implement Monitoring Activities

- Design steps to 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

## Objective

- Gather information to determine whether things are happening the way they are supposed to be
  - Consider types of evidence



# 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

Source: 2018 Generally Accepted Government Auditing Standards



New York State Comptroller  
**THOMAS P. DiNAPOLI**

# Design and Implement Monitoring Activities – Example

Monitoring Activities	Who	How Often	How to Document	Who Receives Documentation	Where to Store Documentation
<p>1) Contractor employees sign in and out on agency elevator oversight log</p> <p>2) Facilities Maintenance Engineer periodically inspects contractor arrival and departure times</p>	Facilities Maintenance Engineer or appropriate designee	<p>Weekly at first</p> <p>More or less often as necessary</p>	Agency elevator oversight log	Prepare e-mail 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	<ul style="list-style-type: none"> <li>• <b>Re-evaluate</b> and possibly <b>reduce</b> monitoring frequency</li> </ul>
Moderate	<ul style="list-style-type: none"> <li>• Direct the contractor to <b>correct identified deficiencies</b></li> </ul>
	<ul style="list-style-type: none"> <li>• Facilitate development of a <b>corrective action plan</b></li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Advise</b> accounts payable employees</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Identify</b> and <b>recover</b> any overpayments</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Increase scrutiny</b> of contractor reports and invoices</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Increase frequency</b> of follow-up monitoring activities</li> </ul>
Low	<ul style="list-style-type: none"> <li>• Facilitate development of a <b>corrective action plan</b> (where practical) and <b>increase the frequency</b> of follow-up monitoring activities</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Increase scrutiny</b> of contractor reports and invoices</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Terminate contract</b> where corrective action is not practical</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Advise</b> accounts payable employees</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Identify</b> and <b>recover</b> any overpayments</li> </ul>
	<ul style="list-style-type: none"> <li>• Consider <b>escalating</b> to appropriate units within agency (e.g., counsel)</li> </ul>



# 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



# Agency Certification



New York State Comptroller  
**THOMAS P. DiNAPOLI**

# Agency Certification

## State Finance Law §110

- Certification or approval of vouchers and expense reports shall be made by the agency head, or by those designated by the agency head to do so
  - Voucher Authorizer



# Agency Certification Voucher

FOR AGENCY USE ONLY		STATE COMPTROLLER'S PRE-AUDIT	
Merchandise Received  _____ Date  _____ Page No.  _____ By	I certify that this voucher is correct and just, and payment is approved, and the goods or services rendered or furnished are for use in the performance of the official functions and duties of this agency.  _____ Authorized Signature in Ink  _____ Date Title	_____ Verified  _____ Audited  _____ Special Approval (as Required)	CERTIFIED FOR PAYMENT OF NET AMOUNT  By _____



# Agency Certification Expense Report

## Traveler's Certification

I hereby certify that the above account and attached schedules are just, true and correct, that no part thereof has been paid, except as stated therein, and that the balance therein stated is actually due and owing, and that the amounts claimed were necessary and incurred in the performance of my official duties.

Signature

Title

Date

## Supervisor's Certification (if required)

I, the claimant's supervisor, certify that this account has been examined and to the best of my knowledge and belief, the amounts claimed therein were necessary for the performance of the claimant's authorized official duties.

Signature of Supervisor

Title

Date



# Agency Certification

## Standard Voucher

- I certify that this voucher is correct and just, and payment is approved, and the goods or services rendered or furnished are for use in the performance of the official functions and duties of this agency



# Agency Certification

## 2 NYCRR Part 6

- Each agency must maintain adequate internal controls over the payment process to support the validity of the agency claim certification
- Head of department or designee must certify to Comptroller that claim is just, true and correct and therefore appropriate to pay





# Agency Certification

## 2 NYCRR Part 6

- Agency certifier should be satisfied that acceptable evidence of receipt and/or inspection is on file
- For electronic submission of claims – certification is indicated by unique identification and password that identifies the agency certifier
  - SFS/Agency FMS for Bulkload



# Agency Certification

## SFS Terms of Service

- Agency user is
  - authorized to execute transactions within SFS
  - familiar, and will use SFS in accordance with the Ethics in Government Act
  - familiar, and will use SFS in accordance with OSC's policies on confidential, personal, and private information
- Vouchers processed to OSC are just, true, correct, and appropriate to pay
- Expense reports processed to OSC are just, true, correct, and appropriate to pay
- Goods or services rendered or furnished are for use in the performance of the official functions and duties of the agency



# Agency Certification

## Electronic Certification

- Agency Certification in SFS/Agency FMS
  - What steps did the agency take to ensure appropriateness prior to payment?



# Agency Certification

## Invoice for Goods

- Invoice
- Packing Slip
- Receiving Report
- Contract/PO requirements



# Agency Certification

## Invoice for Services

- Invoice
- Timesheets
- Payroll Records
- Licenses/Certifications
- Resumes
- Progress Reports/  
Completion Reports/  
Inspection Reports
- Sign-in Sheets
- Contract/PO Requirements



# State Expenditures' Voucher Pre-Audit



New York State Comptroller  
**THOMAS P. DiNAPOLI**

# State Expenditures' Voucher Pre-Audit

- Audit Authority
  - Article V, § 1 of the State Constitution
  - § 8 of the State Finance Law
  - § 111 of the State Finance Law
- BSE conducts audits on a pre- and post-audit basis in accordance with the Generally Accepted Government Auditing Standards



# State Expenditures' Voucher Pre-Audit

- You receive audit questions for a voucher – what next?
- Tips and tricks: how to make the voucher audit as quick and easy as possible





# State Expenditures' Voucher Pre-Audit

“Please provide the supporting documentation (e.g., invoices, purchase orders, receiving documentation, timesheets, contract pricing pages, etc.) and the steps taken to ensure the payment is just, due, and owing”



# State Expenditures' Voucher Pre-Audit

## Supporting Documentation

- Enough documentation to support the charges on the invoice
- Clear explanation of how it supports the charges
- Provide within the requested turnaround time



# State Expenditures' Voucher Pre-Audit

## Supporting Documentation

- Section of contract/law
- Disbursement terms
- SFS attachments
- Appropriation
  - If it helps explain the purpose/intent of the payment



# State Expenditures' Voucher Pre-Audit

## Supporting Documentation

Things to avoid:

- Copious documentation
- Spreadsheets in PDF
- Pointing to the law/contract as a whole instead of the specific, applicable section



# State Expenditures' Voucher Pre-Audit

## Steps Taken

- “Steps taken to ensure payment is just, due and owing”
  - What was the agency’s certification based on?
  - Agency analysis/steps



# State Expenditures' Voucher Pre-Audit Steps Taken

Things to avoid:

- Many documents with no summary or analysis
- “No one has ever asked for this before”



# References

## Guide to Financial Operations

- [Section XI, Chapter 11.F Contract Monitoring](#)
- [Section XII.4.B.1 Supporting Information](#)
- [Section XII.4.F Proper Invoice](#)
- [Section XII.4.D Certification of Internal Controls Over the Payment Process](#)
- [Section XII.7.A Responding to Voucher and Expense Report Audit Questions](#)



# Q & A



New York State Comptroller  
**THOMAS P. DiNAPOLI**