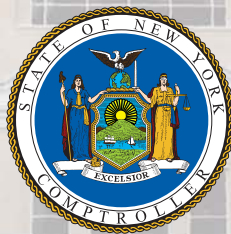




State University of New York Upstate Medical University

Contracts for Personal and Miscellaneous Services

Report 2010-S-3



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of State Government Accountability

January 26, 2011

Nancy L. Zimpher, Ph.D., Chancellor
State University of New York
State University Plaza
353 Broadway
Albany, New York 12246

David R. Smith, M.D., Office of the President
Upstate Medical University
750 East Adams Street
Syracuse, New York 13210

Dear Chancellor Zimpher and Dr. Smith:

The Office of the State Comptroller is committed to helping State agencies, public authorities and local government agencies manage government resources efficiently and effectively and, by so doing, providing accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

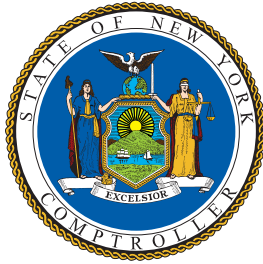
Following is a report of our audit of *Contracts for Personal and Miscellaneous Services*. This audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

*Office of the State Comptroller
Division of State Government Accountability*

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State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

Audit Objectives

One objective of our audit was to determine whether the State University of New York-Upstate Medical University (Upstate) justified the need to contract for personal and miscellaneous services. Another objective was to determine whether Upstate periodically reassessed personal and miscellaneous services contracts to identify what work could be deferred, eliminated, or reduced to save State funds.

Audit Results - Summary

Various directives from the New York State Division of the Budget and the Governor's Office include the need for State agencies to justify their personal and miscellaneous service contracts (Service Contracts) and to reassess whether they can be deferred, eliminated or reduced to help achieve overall budgetary reductions and related cost savings. These directives have added significance because in August of 2008 the Governor required State agencies to achieve spending reductions of 10.35 percent for State fiscal year 2008-09. On October 15, 2009, the Governor also ordered State agencies to reduce their fiscal year 2009-10 operating budgets by another 11 percent. For the period April 1, 2006 through February 1, 2010, Upstate had 665 active Service Contracts (excluding construction and commodities) totaling \$499.8 million.

We reviewed a sample of 50 Service Contracts valued at \$148.8 million and found that Upstate did not maintain sufficient documentation to justify the need for 38 of the 50 contracts totaling \$116.3 million. Upstate officials told us the main reasons for the 38 contracts were to attract candidates for needed medical positions at the hospital. For example, contracts are used to attract physicians for certain positions and provide compensation until the physician establishes a patient base and the associated revenue. Other contracts are to attract and compensate other physicians for services, such as those needed by a Trauma 1 facility. However, even in cases where contracts cannot be eliminated, Upstate may be able to reduce the scope of work to achieve savings. We believe that supporting documentation is necessary to adequately establish that Upstate has reached the correct conclusions about the need for contractual services and the extent of opportunity for reducing contract scope to achieve savings.

Upstate's State budget was cut \$26 million (26 percent) during the three fiscal years 2008-09 through projected 2010-11. In addition, Upstate experienced mandatory cost increases (e.g., contractual salary increases and utility cost inflation). Officials stated that in response to the

reduction in its State funding they implemented a number of initiatives to increase revenue and cut costs. Upstate officials also cited savings of about \$1.7 million from contract cuts.

We noted that Upstate did not document that it had reviewed all current and planned Service Contracts, as part of its budget reduction efforts. Such an analysis is essential to ensure that management has identified all opportunities where the scope of contract work may be deferred, eliminated or reduced to generate cost savings. If Upstate had been able to cut its average spending on Service Contracts by just the 10.35 percent savings goal for overall budgetary reductions, it could potentially save about \$4.6 million annually.

We made two recommendations for improving Upstate's administration and monitoring of Service Contracts. Upstate officials generally agree with the recommendations.

This report, dated January 26, 2011, is available on our website at: <http://www.osc.state.ny.us>.

Add or update your mailing list address by contacting us at: (518) 474-3271 or

Office of the State Comptroller

Division of State Government Accountability

110 State Street, 11th Floor

Albany, NY 12236

Introduction

Background

The mission of Upstate is to improve the health of the communities they serve through education, biomedical research, and health care. Educating more than 1,200 students in their four colleges, Upstate is Central New York's only academic medical center. In addition, Upstate's University Hospital, is a 409-bed inpatient care facility and Central New York's only level 1 trauma center which offers several health care services unique to the region. Upstate also hosts 450 graduate physicians in their residency and fellowship training programs and provides continuing education to practitioners. Annually, University Hospital and the outpatient clinics see about 140,000 patients. Upstate's faculty members that maintain a clinical practice are organized along department lines in 18 medical service groups. These faculty members have admitting privileges to University Hospital.

According to Upstate records, it had 665 active Service Contracts (excluding construction and commodities) totaling \$499.8 million during the period April 1, 2006 through February 1, 2010. The contracts are for such services as on-call physician services and medical direction, stand-by contracts for temporary clerical and medical personnel, food service, security, parking management, advertising, and equipment maintenance.

The following directives issued from the New York State Division of the Budget and the Governor set forth expectations for State agencies to make sure that expenditures, including Service Contracts, are justified and are periodically reassessed:

- State Budget Bulletin H-1025, which became effective July 31, 2003, requires agency management to review all contracts (both new and renewals), including those that involve service delivery to affected citizens, to ensure that lower priority, overlapping or otherwise inefficient activities are eliminated. This Bulletin was in effect until September 2009.
- State Budget Bulletin B-1178, which became effective April 21, 2008, requires agency management to scrutinize all programs and operations to identify opportunities to eliminate less important activities and spending on non-essential items. It further requires agencies to develop plans to identify cost-savings and recurring savings. In this regard, under B-1178, agencies are required to scrutinize spending for contractual services among several other items. Furthermore, B-1178 requires agencies to develop plans that include a framework

for continuing fiscal year 2008-09 savings through to fiscal year 2011-12.

- State Budget Bulletin B-1183, which became effective August 21, 2008, requires State agencies to review all agency programs and operations to identify opportunities for eliminating less-essential activities and spending on non-essential items.
- On June 4, 2008, the Governor issued Executive Order No. 6 (Order) requiring State agencies not to enter into Qualified Personal Services Contracts (e.g., engineering, research and analysis, data processing) exceeding \$1 million or more in personal service costs over any 12-month period unless the agency first determined that: (a) the contractor can carry out the task more efficiently or effectively than State employees; (b) the contractor can carry out the task for a lower cost than State employees; or (c) the contract is necessary to protect the public health or safety, or for some other compelling reason.

Both the Budget Bulletins and the Order have added significance, given the State's increasing fiscal difficulties. In this regard, in August 2008, the Governor directed that State agencies evaluate all programs and operations to identify opportunities to eliminate less-essential activities and achieve spending reductions of 10.35 percent in State fiscal year 2008-09. As part of this responsibility, State agencies were to develop a detailed plan that described the agency's proposed process for reviewing/approving non-personal service spending. Agencies were expected to balance personal service and non-personal service reductions so as to not disproportionately impact either, and to ensure recurring savings in both categories.

Audit Scope and Methodology

One objective of our audit was to determine whether the Upstate Medical University (Upstate) justified the need to contract for personal and miscellaneous services (Service Contracts). Another objective was to determine whether Upstate periodically reassessed Service Contracts to identify what work could be deferred, eliminated or reduced to save State funds. For the purposes of our audit, Service Contracts are those in which the majority of the costs associated with the contracts are for services and labor. We did not include contracts for commodities or capital construction. Our audit period was April 1, 2006 through April 10, 2010.

To achieve our objectives, we interviewed Upstate personnel, and reviewed contracts and other supporting documentation provided by Upstate. We also reviewed relevant State laws, the Order and Budget Bulletins. We selected a judgmental sample of 50 Service Contracts totaling \$148.8 million that were primarily State-funded (50 percent or

higher) from the population of 665 contracts active during our audit period. We based our selection on the type of service to include a mix of different services, and dollar amount, with most contracts sampled over \$250,000. The selection includes contracts for physician services, temporary medical and clerical staffing, transcription services, food service, security services, janitorial, outpatient pharmacy, workers' compensation billing and collection, advertising, and other services.

We conducted our performance audit in accordance with generally accepted government auditing standards. 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

Authority

This audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

Reporting Requirements

A draft copy of this report was provided to State University of New York and Upstate officials for their review and comment. Their comments were considered in preparing this final audit report and are included at the end of the report along with the State Comptroller's Comments addressing certain items in the Upstate Medical University's response.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Chancellor of the State University of New York shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.

**Contributors to
the Report**

Major contributors to this report include Carmen Maldonado, Steve Goss, Roger Mazula, Wayne Bolton, Raymond Barnes, and Bruce Brimmer.

Audit Findings and Recommendations

Justification of Service Contracts

We selected a sample of 50 State-funded Service Contracts and reviewed available documentation to determine whether the need for the services and the decision to contract for services was justified with supporting documentation. We found that Upstate justified the need for 12 contracts totaling \$32.5 million. These generally represented large dollar contracts for physician services, workers' compensation billing and collection, data collection, and student nursing. However, Upstate did not have documentation showing that it formally evaluated the justification for the remaining 38 contracts totaling \$116.3 million, prior to entering into the contracts. These contracts involve temporary medical and clerical staffing (17), physician services (3), outpatient pharmacy (1), transcription services (1), staffing provided by a Medical Service Group (1), janitorial services (1), food services (1), security (1), records release (1), advertising (6), snow plowing (1), student instruction (2), and equipment maintenance (2).

Upstate managers told us the main reasons for the 38 contracts were to attract candidates for needed medical positions, to obtain services that are needed immediately, and to obtain some services not available in-house. For example, contracts are used to attract physicians for certain positions and provide compensation until the physician establishes a patient base and the associated revenue. Other contracts are used to attract and compensate physicians, such as those needed by a Trauma 1 facility, and to obtain certain services when State positions cannot be filled promptly due to lack of an active Civil Service list.

Of the 38 contracts, 17 totaling \$37.1 million are for temporary staff to cover employee leave and vacancies so that patient care is not negatively impacted. About \$14 million had been spent on these contracts at the time of our audit. (Four of the 17 contracts for \$4.4 million had no spending and one contract for \$3.7 million had expired.) Upstate officials did not provide documentation to support the need for the services and the decisions to obtain the services via outside vendors. They also did not provide any documentation to indicate they reviewed alternatives such as hiring State employees part-time or per diem. In response to our requests for any documentation, Upstate officials prepared an analysis that showed their actual cost during 2009 of using temporary staffing contracts was \$1.38 million less than it would have been for State employees. Clearly this information could not have been used to justify the decision that contracting out for these services was the best method. Furthermore, the analysis is incomplete because there is no indication that Upstate officials

assessed obtaining these services in another manner such as hiring State employees on a part-time or per diem basis.

Upstate officials indicated that using temporary staff provides flexibility because they only use the staff when they are needed. However, our review of the use of temporary staff showed that 24 contract staff worked, or were expected to work continuously for one year or longer in the same work assignment. One contract staff worked half-time for over three years in the same assignment. Upstate officials informed us the 24 staff worked extended periods of time because it is more cost-effective to reassign trained temporary staff to various departments than to train new temporary employees. Upstate officials note that they have hired 6 of the 24 contract staff as State employees. The use of contract staff for extended periods of time does not appear to be in line with the intent that the contracts are used so that Upstate did not have to hire employees. Instead, these “temporary” employees remained for at least one year. We believe that Upstate should periodically analyze whether hiring State employees on a part-time or per diem basis is more appropriate than continuing long-term assignments of temporary contract staff. We also note that all of the information regarding costs was done in response to the auditors’ request and not part of the original decision to contract out for services.

Our sample also included contracts for four services received on a continuous basis: operating room cleaning (\$1.3 million), security services (\$18.5 million), food and nutritional services (\$21.6 million), and retail pharmacy (\$250,000) including the lease of space to the pharmacy for \$12,000 per year. In response to our request for information about the decision to contract for services, Upstate officials prepared cost analyses for cleaning operating rooms, security services and food and nutrition services contracts. The cost analyses showed it was about \$30,000 less costly to contract for the cleaning operating rooms, about \$500,000 cheaper to contract for security services, and about \$1.27 million less costly to contract for food and nutrition services. Upstate did not provide cost analyses for the retail pharmacy contract. However, they told us it is better to contract because they could not obtain access to preferred pricing on drugs and Upstate is not licensed as a retail pharmacy. Notwithstanding, there is no contemporaneous documentation that was part of the decision to contract out for services. Such an analysis could have included retraining Upstate employees who clean the facility to clean the operating rooms.

While there are times when it is necessary to hire outside service providers, a documented analysis is important to fully support that Upstate’s conclusions are correct and that opportunities and options

for cost savings have been fully considered. Upstate did not always document and retain such analysis, nor did it prepare such analysis prior to entering into the contract. In the absence of such analyses, we question whether contracting out for certain services was necessary and cost-effective. Upstate officials state that, other than the provisions of EO6, they are not aware of any specific requirements that they prepare and maintain documentation to support their decision-making process. However, documenting the basis for contracting decisions is a good business practice.

Reassessment of Service Contracts

Based upon our review of Upstate's efforts to scrutinize Service Contract spending, we believe additional savings opportunities may be possible. During the two years ended June 30, 2009, Upstate spent an average of \$44.6 million annually on Service Contracts. Upstate's practice is to review all contracts when it renews or bids a new contract. We found that Upstate had cut some Service Contracts in response to State funding reductions. However, Upstate did not provide documentation to support that it had reviewed all current and planned Service Contracts, as part of its budget reduction efforts. Such an analysis is essential to ensure that management has identified all opportunities where the scope of contract work may be deferred, eliminated or reduced to generate cost savings.

Upstate officials stated that they constantly analyze costs to determine if there are ways to save money, but it is not documented. For example, when a new contract is bid or renewed, they review whether it is cheaper to do it in-house or to contract out. Upstate's State budget was cut \$26 million (26 percent) during the three fiscal years 2008-09 through projected 2010-11. In addition, Upstate experienced mandatory cost increases (e.g., contractual salary increases and utility cost inflation). Officials stated that in response to the reduction in its State funding they implemented a number of initiatives to increase revenue and cut costs. These included reduced contract labor, focused administrative and facility program reviews to identify cost savings, and across-the-board reductions of departmental OTPS allocations by 10 percent. Department managers then reviewed their projected needs and made managerial decisions to reduce certain costs, including some contracts. However, Upstate does not maintain a listing of all contracts that were terminated or revised to achieve cost savings.

Upstate officials cited savings of about \$1.7 million from contract cuts, including estimated savings of \$60,000 by replacing a cleaning contract with State employees, and the Upstate library withdrew from one contract and expects to save about \$204,000 during calendar year 2010. In our sample of contracts we identified three one-year advertising contracts that were terminated due to budget constraints. Upstate

officials reported that this resulted in savings of about \$100,000. Another three-year contract in our sample for a spine surgeon was terminated after its first year saving \$1.3 million.

Upstate officials also noted that they have reduced the use of temporary staffing obtained from contractors. While Upstate did not provide an estimate of the cost savings from reducing temporary staffing, Upstate records show a decline in temporary staff use during our audit period. We note that in September 2009, the hospital expanded, creating a need for additional staffing. Upstate officials told us that contract staffing was used until the need for permanent employees could be assessed and employees hired. As of June 3, 2010, there were 294 (248.92 FTE) positions approved for the hospital expansion, with 11 (7.2 FTE) still open. However, Upstate officials note that additional positions could be added, which will further reduce the use of temporary staffing.

We also found that Upstate did not identify what recurring savings it would achieve in fiscal years 2009-10 and 2010-11, including what Service Contracts would be impacted. In October 2009, the Governor again called for agencies to reduce spending in future fiscal years—this time by more than 11 percent. Given the State’s fiscal crisis, Upstate officials should reassess all Service Contracts. If officials conduct a top-to-bottom review of every current and planned contract, it is possible that they may identify other alternatives or opportunities to achieve savings or confirm that Service Contracts are appropriate. We previously noted that during the two years ended June 30, 2009, Upstate spent an average of \$44.6 million annually on Service Contracts. While management might not be able to eliminate any of these contracts, it is possible that some could be scaled back to achieve additional savings. If Upstate had been able to cut its average spending on these contracts by just the 10.3 percent savings goal for overall budgetary reductions, it could potentially save about \$4.6 million annually.

- Recommendations**
1. Communicate to appropriate staff the requirement to support Service Contracts with written justifications of the need for the service, the appropriate level of service, and the decision that there is a need to contract out for services.
 2. Instruct managers to periodically reassess all Service Contracts to identify opportunities to defer, eliminate, reduce or bring them in-house, and to document and retain their determinations.

Agency Comments



THE STATE UNIVERSITY of NEW YORK

Monica Rimai
Senior Vice Chancellor and
Chief Operating Officer

November 24, 2010

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Ms. Carmen Maldonado
Audit Director
Office of the State Comptroller
Division of State Government Accountability
123 William Street, 21st Floor
New York, New York 10038

Dear Ms. Maldonado:

In accordance with Section 170 of the Executive Law, we are providing our response to the draft report on the Office of the State Comptroller's audit of Contracts and Personal Miscellaneous Service, Upstate Medical University (2010-S-3). Upstate procures a variety of required services including physicians, temporary staffing, food services, security, parking management, and others. Upstate has, and will continue to strive to ensure the needed services are obtained in an efficient and effective manner.

We concur with the two recommendations in the report and acknowledge that there are opportunities for improvement in our documentation standards. However, we have concerns with some of the comments and conclusions in the report. For example, the report questions whether contracting for certain services was necessary and cost effective, but provides no instances of unnecessary services. In fact in a preliminary report dated June 10, 2010, OSC acknowledges that "During our audit, Upstate managers explained why the services were needed for these contracts."

Similarly, the report states that it is possible that some services could be scaled back to achieve additional savings, but the report does not identify any such savings. To the contrary, Upstate provided documentation to show it has saved millions of dollars by contracting out for temporary staff, food services, security services, and other services. While the savings report may not have been written contemporaneous with the contracting decision, Upstate was aware that savings would be realized because the temporary staff agency pay rates compared favorably to State pay rates.

The report also notes a potential savings of \$4.6 million annually by cutting 10.3 percent of personal and miscellaneous service contracts (Service Contracts). However, this analysis does not take into account the complexity of hospital

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Comment
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Comment
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UNIVERSITY CENTERS AND DOCTORAL DEGREE GRANTING INSTITUTIONS University at Albany • Binghamton University • University at Buffalo • Stony Brook University • SUNY Downstate Medical Center • Upstate Medical University • College of Environmental Science and Forestry • College of Optometry • NYS College of Ceramics at Alfred University • NYS College of Agriculture/Life Sciences at Cornell University • NYS College of Human Ecology at Cornell University • NYS College of Industrial/Labor Relations at Cornell University • NYS College of Veterinary Medicine at Cornell University UNIVERSITY COLLEGES SUNY Brockport • Buffalo State College • SUNY Cortland • Empire State College • SUNY Fredonia • SUNY Geneseo • SUNY New Paltz • SUNY Old Westbury • College at Oneonta • SUNY Oswego • SUNY Plattsburgh • SUNY Potsdam • Purchase College TECHNOLOGY COLLEGES Alfred State College • SUNY Canton • SUNY Cobleskill • SUNY Delhi • Farmingdale State College • Maritime College • Morrisville State College • SUNY Institute of Technology COMMUNITY COLLEGES Adirondack • Broome • Cayuga County • Clinton • Columbia-Greene • Corning • Dutchess • Erie • Fashion Institute of Technology • Finger Lakes • Fulton-Montgomery • Genesee • Herkimer County • Hudson Valley • Jamestown • Jefferson • Mohawk Valley • Monroe • Nassau • Niagara County • North Country • Onondaga • Orange County • Rockland • Schenectady County • Suffolk County • Sullivan County • Tompkins Cortland • Ulster County • Westchester

* See State Comptroller's Comments, page 21.

operations or more importantly the need to provide quality patient care. Nor did the report identify any savings in the sample of the 50 contracts that were reviewed.

*
Comment
2

A significant portion of the report deals with the adequacy of documentation to support contracting decisions. However, with the exception of Executive Order 6 which applies to a few large contracts, the Office of the State Comptroller did not cite a specific requirement or regulation to prepare and maintain documentation for every management decision to contract out for services. If there was such a requirement, Upstate would have followed it.

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Comment
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Upstate managers routinely review contracts as part of the annual budget process as well as any contracts up for renewal. The contracts are reviewed to determine if they should be modified or terminated, taking into account a variety of factors including facility and patient needs and resource limitations. While the decisions regarding contracts may have not been fully documented, they were carefully thought out and required the written approval of the manager responsible for the contract and the appropriate vice president.

The auditors commented on the adequacy of the documentation to support the use of temporary staff and, in particular, 24 individuals who worked, or were expected to work, continuously for one year or longer in the same position as temporary staff. The 24 represent a relatively small number selected over a three year period. It is important to note that Upstate values the skills and experience of its permanent work force, and employs 6,753 State and SUNY Research Foundation individuals. However, in certain circumstances, Upstate management has found it necessary and cost effective to hire temporary staff. These circumstances may include cases where assignments are short in duration, flexibility is needed in the number of staff, specific skills are required, and other situations.

When hiring temporary staff, Upstate has a process that requires justification and several levels of approval. In addition, the approval to hire is generally limited to three or four months. The use of temporary staff is regularly monitored and the number of long term assignments has been limited. Upstate managers have upheld their fiduciary responsibility in using temporary staff and had realized significant savings in the process.

*
Comment
4

Upstate has taken, and will continue to pursue, opportunities to limit or reduce its expenditures. As noted in the Comptroller's report, Upstate has weathered budget cuts and mandatory cost increases (e.g., contractual salary increases and utility cost inflation) and has proven its fiscal responsibility by staying within budget. Upstate has been, and remains, committed to controlling costs and providing quality care to its patients. Our comments to the recommendations follow.

Recommendation #1 - Communicate to appropriate staff the requirement to support Service Contracts with written justifications of the need for the service, the appropriate level of the service, and the decision that there is a need to contract out for services.

* See State Comptroller's Comments, page 21.

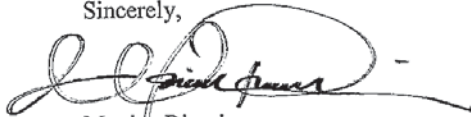
Upstate agrees with the recommendation and will develop a process to ensure that, prior to initiation or renewal of any contract, managers document the reason for the contract initiation, renewal, or rebid. A form will be developed which will require an overview of the purpose of the contract, justification for the need for the service, consideration of more cost effective alternatives to the contract, and justification for the reasonableness of the costs. The form will be completed by the responsible manager and signed by a supervisor before the Contracts Office will initiate the procurement process.

Recommendation #2 - Instruct managers to periodically reassess all Service Contracts to identify opportunities to defer, eliminate, reduce or bring them in house, and to document and retain their determinations.

Upstate agrees with the recommendation and will periodically provide managers with a reminder to review their service contracts to identify opportunities to suspend, deter, eliminate, or reduce contracted service; or to use State employees to provide the service. The guidance will require managers to document their decisions and retain the information.

Thank you for the opportunity to comment on the report and for your staff's professional conduct and courtesy during the course of this review.

Sincerely,



Monica Rimai
Senior Vice Chancellor and
Chief Operating Officer

Copy: Chancellor Zimpher
President Smith
Mr. Abbott
Mr. Brady/Upstate
Mr. Hook
Mr. McGrath
Ms. Preston
Mr. Wrobel/Upstate

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State Comptroller's Comments

1. In the absence of documentation indicating that any formal evaluations were done, Upstate managers did provide us with verbal explanations regarding why they believed certain contracts were necessary. However, these explanations were provided in hindsight and are not a substitute for documented analysis that should be performed prior to making a decision to contract for services.
2. At the time a decision was made to contract for these services, Upstate officials had not performed a cost-benefit analysis of their planned approach and had not obtained information on wage rates that would be paid to State employees or temporary staff involved in providing the services. While officials may be confident that savings have resulted from their decision, they lack assurance that even greater savings would not have been realized through part-time, per diem, or seasonal hiring of State employees.
3. Officials are correct that there is no law or regulation requiring a documented justification for every contract. However, we maintain that good business practices include preparation of documentation showing that all appropriate factors are properly considered and evaluated when making decisions to contract.
4. The process that officials describe pertains to how Upstate monitors the use of contracts after the contracts have been established.