New York State Office of the State Comptroller
Thomas P. DiNapoli

Division of State Government Accountability

Allegations of Procurement Fraud, Waste and Abuse at State University of New York

State University of New York: Downstate Medical Center

Report 2010-S-45

April 2012

Executive Summary

Purpose

To determine if allegations of waste, abuse, and/or fraud at State University of New York (SUNY) Downstate Medical Center (Center) were accurate and, if so, what was the cost to taxpayers.

Background

Our office received three anonymous letters alleging waste, fraud, and abuse involving procurement practices at the Center. Our audit found some of these allegations were accurate. We found various weaknesses in the procurement processes at the Center resulting from a systemic breakdown in internal controls and a deficient control environment. The result was an environment which facilitated vendor manipulation of procurement processes, less than efficient implementation of a multimillion dollar software system, and possible conflicts of interest between at least one employee and a vendor.

Key Findings

- One vendor, Eagle Two Construction (Eagle Two), was able to circumvent the Center's bidding processes. In six cases fake bids or bids from companies affiliated with Eagle Two were submitted against Eagle Two's bids in order to simulate competition for awarding work when there was none. In all six cases Eagle Two was awarded the work totaling $92,090. Also, an additional $49,890 was paid to Eagle Two or its affiliates for work that should have been covered under a contract Eagle Two already had with the Center.
- A questionable relationship between a Center employee and a vendor, Technical Systems Integration Group Consulting (TSIG) may have impaired competition for five purchases totaling approximately $267,000.
- The Center didn't adequately assess all the risks involved with implementation of the multimillion dollar Lawson software purchased to streamline the procurement process. After spending almost $2 million and over four years of staff time, the Center is not using the Lawson software in a majority of its units.

Key Recommendations

- Establish and promote a control environment at SUNY Downstate Medical Center that supports internal controls and compliance with applicable law, including fair and competitive purchasing of goods and services, and compliance with the Public Officers Law.
- Monitor purchases to assure they are justified, necessary, and being used to prevent waste of Center resources especially in emergency situations that limit purchase options and reduce chances of obtaining the best price and quality of services. Identify, assess and mitigate risks which may hinder the Center's procurement mission or objectives.

State of New York
Office of the State Comptroller

Division of State Government Accountability

April 9, 2012

John C. LaRosa, M.D., FACPO
President
State University of New York Downstate Medical Center
450 Clarkson Avenue
Brooklyn, NY 11203

Dear Dr. LaRosa:

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 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 intended to safeguard assets.

Following is a report of our audit of *Allegations of Procurement Fraud, Waste and Abuse at the State University of New York Downstate Medical Center*. The 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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Background

In April 2010 the Comptroller's Office received an anonymous letter alleging waste, abuse and fraudulent activity relating to procurement activities at the Center. During the next several months, we received two additional letters. In response to these allegations, we engaged an audit of the Center to determine whether these allegations were true.

The Center has been in operation since 1860. It operates five medical colleges (medicine, nursing, graduate studies, health related professions, and public health) and a hospital employing approximately 4,800 employees. Additionally, the college has approximately 1,600 students with almost 900 residents. To support the colleges and hospital, the Center purchases a multitude of goods and services, including software, construction and safety services, supplies and equipment. From January 1, 2007 through February 1, 2011, the Center spent almost $973 million on goods and services.

The Finance Division is responsible for safeguarding the assets and maintaining the financial health and viability of the Center. Additionally, the Chief Financial Officer (CFO) is charged with ensuring compliance with all Federal and State regulations applicable to the Center, as well as the Medical Center's policies and procedures related to the Finance Division. The Purchasing Office, within the Finance Division, organizes and administers a centralized purchasing service for the institution, with a basic objective to secure the most appropriate materials, supplies, equipment and services, at the lowest available price consistent with quality requirements and delivery needs. The Finance Division has four directors and 31 staff under the CFO.

Audit Findings and Recommendations

Construction Services Procurements

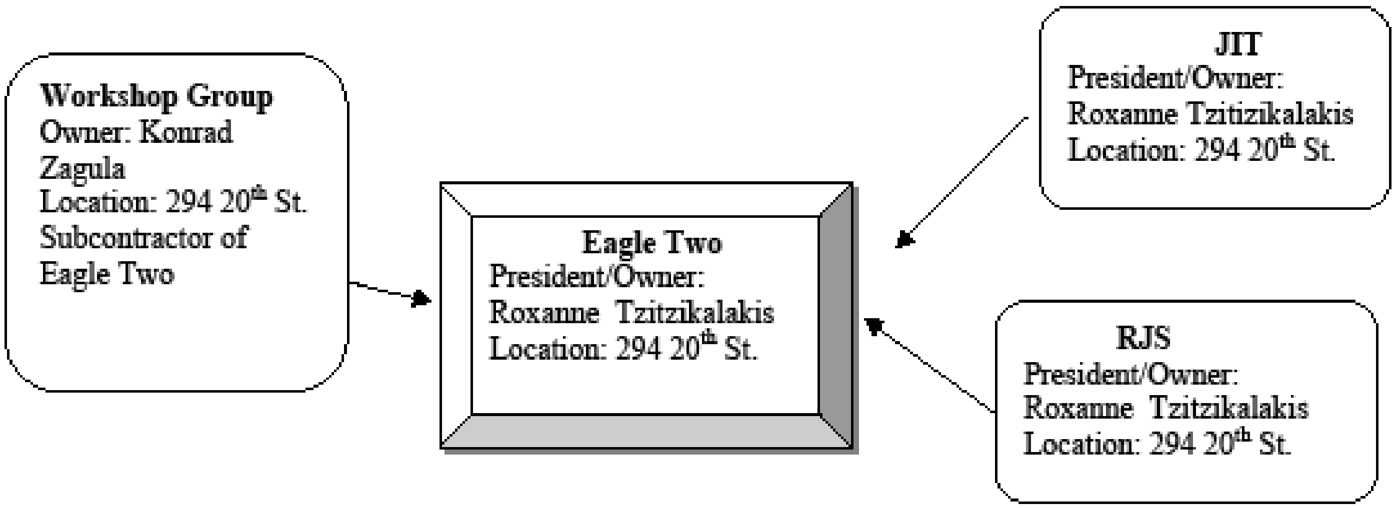
Under New York State law and associated guidelines, the objective of State procurement is to facilitate a State agency's mission while protecting the interests of the State and its taxpayers and promoting fairness in contracting with the business community. Among other things, State law requires that procurement processes be designed to ensure that goods and services are purchased from responsive and reasonable offerers. Also, State law requires these processes ensure purchases are made pursuant to stated procedures that include detailed processes for soliciting and evaluating bids; that State officers and employees do not benefit financially or otherwise from the State contract awards; and that there is regular and critical review of the efficiency, integrity and effectiveness of the overall process.

Except in limited instances, State agencies are mandated to use competitive bidding practices to ensure these goals are met. State law permits State agencies to purchase goods and services in an amount not exceeding $50,000 (discretionary purchases) without engaging in a formal competitive bidding process. At the time of our audit, this threshold applied to the Center. Nevertheless, even for purchases for an amount less than this threshold, the procuring agency is still required to employ sound, documented practices to ensure that the procurement is in the best interest of the State. Relevant to the instant examination, the Center's procurement rules require that even in instances where the purchase falls below the discretionary threshold but above $10,000, the agency must still obtain quotes or proposals from responsible vendors offering the needed goods or services. Ideally, Center staff should obtain three quotes if possible. The Center assigns an employee to solicit and review the quotes or proposals and select a winning bidder. Its internal process requires approval from a supervisory official prior to the contract being awarded. As detailed below, however, this process was not followed closely in connection with several construction projects undertaken at the center. Payments were made for these projects between May 2005 and December 2008.

Our review of the Center's payment information demonstrated that one company, Eagle Two Construction (Eagle Two), owned by Roxanne Tzitzikalakis, was connected to several other companies that submitted supposed competing bids in procurements resulting in Eagle Two being awarded State contracts. The specific company relationships are as follows:

- Ms. Tzitzikalakis is president and owner of Eagle Two, which is located at 294 20th Street, Brooklyn
- Ms. Tzitzikalakis is president and owner of RJS Construction (RJS) and JIT Enterprises LLC (JIT), both of which were located at 294 20th Street, Brooklyn (per Department of State Records)
- Workshop Group Inc. (Workshop Group), which was also located at 294 20th Street, Brooklyn, was disclosed as a subcontractor of Eagle Two

Visual Representation:



While Eagle Two, RJS, JIT, and Workshop Group all submitted bids for work at the Center, at some point, only Eagle Two, RJS and JIT were paid by the Center. In all cases, we found if one of these affiliated companies bid against Eagle Two, Eagle Two won the project.

Ms. Tzitzikalakis failed to disclose her ownership of JIT on the vendor responsibility forms Eagle Two was required to file with the State and still has not disclosed it the current disclosure forms as required. Additionally, she did not disclose her ownership of RJS until questioned by State officials. Center officials claimed they were unaware of the connection between Eagle Two and any of the other companies. Nevertheless, we found there was ample information available to Center officials (contractor certification provided in their vendor responsibility filings, etc.) that showed these relationships. Therefore, Center officials should have been aware of the connection and these companies should not have been allowed to compete against each other for the same work.

We analyzed payment data from the Center to Eagle Two (and affiliated companies) for the period January 1, 1996 through October 30, 2010. Eagle Two was first paid by the Center in June 2003. We reviewed bid documents for 78 payments the Center made to Eagle Two and two made to JIT totaling $1,210,824. This constituted quick pay and regular voucher payments for more than $2,500, after aggregating payments for similar projects less those for which documentation was claimed to have been destroyed or lost. Of the 78 payments, we found exceptions with 11 projects whose payments totaled $192,880. These payments were for 11 separate construction projects awarded to Eagle Two and JIT.

A review of six of the 11 projects, the payments for which totaled $92,090, revealed that:

- The bids for all six projects included at least one bid submitted as a competing bid against Eagle Two that was either:

    1. a fraudulent bid or

2. a bid from a company either owned by Ms. Tzitzikalakis (RJS) or an associated company (Workshop Group)

- The bids for two of the projects included both a fake bid and a bid from an associated company; and
- On two of the six projects, Ms. Tzitzikalakis submitted both the fake and affiliated company bids along with her Eagle Two bid.

In regard to the fake bids, the Comptroller's staff interviewed the owner of Mirage Construction (Mirage), which allegedly submitted bids against Eagle Two on four occasions. Mirage officials informed the Comptroller's staff that the company has never submitted bids for State work and that the bids that were submitted to the Center on those four occasions were forged.

A Facilities Coordinator (Coordinator) at the Center was responsible for receiving the bids for two projects. The Comptroller's examination revealed that, for two projects in which Mirage and Workshop Group supposedly submitted bids against Eagle Two, Ms. Tzitzikalakis herself provided the Coordinator with contact information for Workshop Group and Mirage, her alleged competitors. Exacerbating this suspect procedure for securing competing bids, when the Coordinator's efforts to contact the companies with the information provided by Ms. Tzitzikalakis proved unsuccessful, instead of questioning the legitimacy of the "bids," the Coordinator instead accepted the supposed competing bids directly from Ms. Tzitzikalakis purportedly on behalf of the two companies bidding against her company. The Comptroller's staff confirmed though evidence imbedded on the Coordinator's computer that she received at least one "bid" purportedly from Mirage from Eagle Two. As stated above, the Comptroller's examination revealed that the Mirage bid was a forgery and that Workshop Group is a closely affiliated company with Eagle Two.

Confronted with the fact that she accepted "competing bids" from the eventual successful bidder itself and the lack of any confirmation of the legitimacy of the losing bids, the Coordinator admitted she should not have accepted the alleged competing company bids from Ms. Tzitzikalakis. She claimed that she did not know the bids were fake or from companies affiliated with Eagle Two. The Coordinator declared that she accepted the bids because she was having difficulty getting three bids for the projects and was under pressure from superiors to get the work done quickly. The Coordinator's superior at the time was an Assistant Vice President at the Center. Despite being responsible for approving vendor selection, he did not note any issues with the bids received for these projects and also claimed he did not know the bids were fake or that the affiliated companies were related to Eagle Two.

As for the other projects, we were unable to determine who submitted or received any of the bids. During our audit, we interviewed several management employees who were responsible for approving and processing bid documents for the six projects, including the Director of Contracts and Procurement Management, the Director of Procurement Facilities Operations and the former Director of Procurement Design and Construction. These individuals, whose signatures were on the bid packages, claimed that they merely signed off on the documents and denied knowledge as to where the bid documents originated from or who was responsible for obtaining them. Although the Center's internal processes required them to approve the bid packages, they took no responsibility for receiving or reviewing the bids or ensuring a thorough review of the bid process. The denial of duty by individuals at all levels of management made it impossible to determine who submitted or received the bids for these projects.

Even though we were unable to determine who submitted the bids for some of these projects, our examination revealed that the bid documents for all six projects were nearly identical. For example, each of the fake and affiliated company bids contained similar omissions; none included the Center's zip code, the name of a company contact person or had a working company telephone number. Notably, Eagle Two, owned by Ms. Tzitzikalakis, was awarded the contract for each of these projects.

When we attempted to interview Ms. Tzitzikalakis about these projects she refused and informed Comptroller's staff through her counsel that she was asserting her Fifth Amendment right against self incrimination.

In addition to the fraudulent and highly questionable bidding practices described above, the Comptroller's review revealed additional information concerning the remaining five projects we examined. For two of these five projects, the payments for which totaled $51,300, we found:

- No bids on file to support whether staff received them for these projects
- Both projects were over $10,000, therefore, Center staff should have attempted to solicit three bids

For three of the five projects, the payments for which totaled $49,890, we found:

- All three payments were for renovations to kitchenette units, two of which were made to JIT and one to Eagle Two.
- The work these payments were made for should have been covered under a contract (DOE9631) Eagle Two had with the Center to renovate the kitchenette units. Though the contract term was three years, the total amount of the contract, $531,552, was expended in just six months.

These facts strongly suggest work was awarded to Eagle Two's affiliates and to Eagle Two as separate projects to avoid submitting change orders, which would have drawn attention to the possibility that work on the kitchenette units exceeded the original contract price. We spoke with Center management and they stated they were not sure if the three additional payments were valid but admitted it was possible that the Center paid additional funds it should not have for this work and that these types of overpayments occurred quite often in the past. Again, officials reiterated their assertion that they were unaware of the connection between JIT and Eagle Two.

Interestingly, our examination determined that Ms. Tzitzikalakis's father, Demitrios Tzitzikalakis, was involved in Eagle Two's daily operations. Center staff and management were well aware that Mr. Tzitzikalakis was intimately affiliated with Eagle Two and involved in the company's on site management of these projects, as evidenced by background reports run during their vendor responsibility review, emails they exchanged, and testimony provided during interviews with the Comptroller's staff. This is relevant because Mr. Tzitzikalakis previously owned Foundation Construction before he was convicted of various felonies in connection with submitting falsified and inflated invoices to the New York City Department of Citywide Administrative Services. Center officials claimed they did not know of Mr. Tzitzikalakis' criminal history but were aware of his involvement in the company's business activities.

Relationships with Vendors

Two of the three anonymous letters we received alleged improper or less than arm's length relationships between Center employees and several vendors. We determined that not all of the allegations were accurate. Nevertheless, we found two instances where there were questionable relationships between Center staff and certain vendors.

We found the relationship between one of the Center's project managers and Technical Systems Integration Group Consulting (TSIG) questionable. This relationship possibly impaired fair competition in the awarding of some work. TSIG is a privately owned, national architectural and engineering consulting firm in New York City. The Center paid TSIG approximately $262,000 between February 2005 and November 2010. TSIG conducted assessments and inspections for the Center, usually in preparation for accreditation by The Joint Commission (TJC), which occurs every three years. The Center first hired TSIG for emergency accreditation services in January 2005. Officials stated they needed to hire a vendor quickly to repair substandard work performed by a prior vendor hired to prepare the Center for the upcoming accreditation. Reportedly, TSIG, was the only vendor, of three that submitted a bid, that could start immediately and the company was hired to complete the work for $64,000. Since TJC accreditation occurs every three years, the Center's management could and did plan, by hiring a consultant to perform work, to be ready for the assessment. Had the Center hired a competent vendor initially there would have been no need to hire a vendor under emergency circumstances. However, poor planning reduced the Center's ability to effectively utilize competitive bidding. Furthermore, our audit noted that, after the emergency purchase, TSIG was favored and received substantial additional work through management's circumvention of State procurement processes.

For example, between April and August 2006, the Center paid TSIG $72,000 for monthly assessments, consulting, and training services. According to Center records, no other bids were received for these services. Thus, there is no assurance that fair competition occurred or a reasonable price was paid. Additionally, in February 2007, the Center again purchased assessment services from TSIG to prepare for a future TJC assessment. Once again, TSIG received favored treatment for this purchase. Center staff personally recommended TSIG be awarded the contract and, although the services were advertised in the Contract Reporter as required, the ad stated that the contract was going to be awarded to TSIG (not competitively bid). TSIG was paid $82,750 for its services.

As part of the recommendation, written by Center officials to award TSIG the $82,750 contract, officials specifically praised a TSIG representative who had worked closely in the past with the Center. The next month (March 2007), shortly before TSIG was awarded the contract, this representative was hired as a project manager by the Center. Later, as the project manager, he oversaw and approved work as acceptably completed for the $82,750 project. Again, in December 2007, the same project manager requisitioned and approved work completed for services awarded to TSIG with a total cost of $18,534.

In July 2007, TSIG submitted a proposal to the Center for the sale of licenses for its Environmental Care Tracker (ECT) software; a proprietary software offered only by TSIG. Prior to submitting this proposal, TSIG had approached their prior employee (now a project manager for the Center) regarding the Center's use of ECT. In June 2008, a five year, $30,000 contract was executed for the use of the ECT software. The advertisement placed in the Contract Reporter requested vendors provide consulting services for ECT software. As the software is offered only by TSIG, other potential vendors were not considered. As of November 2010, the Center paid $12,000 of the $30,000 ECT contract. After interviewing the intended users of the software, we found most were not currently using nor had ever used the software. The intended users received little training on how to use the software and have indicated that they do not intend to use it in the future. In August 2010, two years after the contract was awarded, the same project manager began the process to purchase $18,500 of training and input services from TSIG, not because management knew of the user's problems, but because of the next impending accreditation. The Center's management, in charge of approving contracts for training and software, was unaware that the software was not being used. After we informed Center management of this, they agreed to review the request for training and determine whether it would be necessary.

We found no evidence that Center management considered the possibility of recusing the project manager from working with or on projects where TSIG was the vendor, or that the project manager considered recusing himself, as required by the State Ethics Commission opinion addressing this issue. The opinion, issued in 1998 by the former State Ethics Commission, stated that "Under Public Officers Law Section 74, a State employee who enters State service from the private sector must consider recusal from any matter concerning a former employer or business entity with which he or she had a relationship within the prior two years." Both the Center and the project manager should have considered his recusal from work with his former employer. Ideally, the Center and/or the employee should have received an opinion from the Commission on Public Integrity (now the Joint Commission on Public Ethics) to avoid any appearance of impropriety and to receive guidance on how to handle the situation appropriately. It should be noted that we found no evidence of impropriety on the part of the project manager or TSIG, however, as a State agency best efforts should be taken to be open and transparent in all facets of operations.

There is no assurance that other services purchased from TSIG, which totaled more than $237,000, were purchased at arm's length, at a reasonable price, and were not a waste of Center resources. Additionally, the Center wasted valuable resources when it purchased software licenses, in the amount of $30,000, from TSIG. These licenses have not been used by the intended users and there is no intent to use the software before the purchased licenses expire.

Allegations also stated that improper relationships existed between Center officials and another vendor, Hellmuth Obata Kassabaum PC (HOK). We did not find a direct conflict existed with Center officials and HOK. We did, however, find that Center officials worked with HOK management in an effort to circumvent contracting procedures. We found the officials attempted to award millions of dollars in work to HOK rather than utilize competitive bidding. In this case, HOK had been awarded a $6 million contract for services in one of the ambulatory pavilions. While HOK was completing the contracted work, Center officials decided to expand the project outside the original scope of work and sought to award the expanded work to HOK without a competitive bid. Center officials submitted to OSC an amended contract, which included additional work estimated to cost more than $2 million. After OSC rejected the amended contract, the Center submitted a letter that was written by HOK to attempt to convince our office to accept the amendment. Ultimately, the expanded work was rebid and awarded to another vendor.

Software Procurement and Implementation

In 2007, Center management decided to install the Lawson system, a multimillion dollar enterprise resource planning software system designed to automate and integrate business operations, including purchasing. The system was planned to be installed in both the Center's hospital and university. From February 2007 through May 2011 the Center paid approximately $2 million to implement this system. An anonymous letter received by our office alleged that the software was not compatible with other State systems and, therefore, constituted a waste of State funds. While we did not find issue with the system's compatibility as alleged, we did find deficiencies with the implementation of the system.

As of July 2011, only 10 of more than 200 departments within the Center are using the software and responsibility for implementing the software has changed at least once. Officials stated that implementation of the software takes a lot of time and manpower and that is has taken longer than expected because of staff limitations. Other budget constraints have also delayed implementation. We did not find these risks were planned for by management when they made the decision to implement the software. According to officials, the 10 units using the software represent approximately 75 percent of the total dollar volume of supplies ordered in the hospital; however, the university is not using the procurement software in any of its units (though the budget planning module is in use). Additionally, officials stated they have already realized significant savings in their pharmacy department since the software installation.

We don't refute Center official's claims that the software has benefited those units where it is being used or that it will generate more savings in the future when implementation is complete. It has been more than four years since the initial implementation began, however, and a majority of the Center's units are not currently using the software as was intended. Thus, we find that management did not effectively implement or use the product it purchased, thereby diminishing its value.

Recommendations

1. Establish and promote a control environment at SUNY Downstate Medical Center that supports internal controls and compliance with applicable laws including, fair and competitive purchasing of goods and services, and compliance with the Public Officers Law.
2. Recoup the $49,890 funds paid for work which should have been covered under contract

DOE9631.
3. Strengthen procurement oversight to assess whether lack of competence is affecting the performance of the procurement offices and to detect future potential and actual instances of procurement, fraud, waste, and abuse.
4. Management should assess the integrity of those vendors involved and determine the appropriateness of commencing or continuing to purchase goods and services from them.
5. Monitor purchases to assure they are justified, necessary, and being used to prevent waste of Center resources especially in emergency situations which limit purchase options reducing chances of obtaining a reasonable price and quality goods and services. Identify, assess, and mitigate risks which may hinder the Center's mission or objective relating to purchasing.
6. Cooperate with any Joint Commission on Public Ethics review that may occur as a result of this audit.

Next Steps

In addition to making the above recommendations, OSC has consulted with law enforcement on certain payments to Eagle 2 Construction and will cooperate with any further criminal review. OSC will also refer the possible violations of the Public Officers Law to the Joint Commission on Public Ethics for investigation.

Audit Scope and Methodology

We conducted our performance audit in accordance with generally accepted government auditing standards. Between April 2010 and November 2010 we received three anonymous allegations regarding waste, abuse, and fraud relating to the Center's procurement processes. We audited the Center's procurement practices for the period June 11, 2003 through January 26, 2012 to determine if allegations of waste, abuse, and fraud within the Center's procurement practices were accurate and to determine the cost to taxpayers. We originally scoped our audit for January 1, 2007 through the end of fieldwork; however, as we found indications of fraud, for certain areas of our audit we reviewed payment information back to June 11, 2003.

To accomplish our objectives, we met with Center and Office officials to confirm and enhance our understanding of their procurement practices. We performed data mining of the Center's payment data to identify potential red flags for procurement fraud, reviewed documentation for payments, and used forensic audit tools to identify relationships between Center staff and vendors and between different vendors. We interviewed Center staff and various vendors who performed work for or bid on work at the Center. Additionally, we inspected work performed and vendor selection processes.

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

The 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

We provided a draft copy of this report to Center officials for their review and comment. Their comments were considered in preparing this final report and are attached in their entirety at the end of the report. Center officials indicate that they generally agree with our audit recommendations and have or will take steps to implement them.

Within 90 days after 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.

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Vision

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To improve government operations by conducting independent audits, reviews and evaluations of New York State and New York City taxpayer financed programs.

Agency Comments

SUNY Downstate Medical Center
Response to the OSC Draft Report 2010-S-45 Recommendations

Recommendation 1:

Establish and promote a control environment at SUNY Downstate Medical Center that supports internal controls and compliance with applicable laws including, fair and competitive purchasing of goods and services, and compliance with the Public Officers Law.

Response: SUNY Downstate Medical Center (DMC) currently has the required separation of duties that establish the control environment necessary to ensure compliance with applicable laws.

Recommendation 2:

Recoup the $49,890 funds for work which should have been covered under contract DOE9631.

Response: SUNY DMC will review the available supporting documentation related to this OSC finding and, if warranted, will refer the issue to the Attorney General's Office.

* Comment

Recommendation 3:

Strengthen procurement oversight to assess whether lack of competence is affecting the performance of the procurement offices and to detect future potential and actual instances of procurement, fraud, waste, and abuse.

Response: Procurement process elements have been designed to strengthen internal controls. Departments and staff are aware of their responsibilities and these responsibilities will be reinforced at staff meetings and in performance programs.

Recommendation 4:

Management should assess the integrity of those vendors involved and determine the appropriateness of commencing or continuing to purchase goods and services from them.

Response: Agree

Recommendation 5:

Monitor purchases to assure they are justified, necessary, and being used to prevent waste of Center resources especially in emergency situations which limit purchase options reducing chances of obtaining a reasonable price and quality goods and services. Identify, assess, and mitigate risks which may hinder the Center's mission or objective relating to purchasing.

Response: SUNY DMC does and will continue to monitor purchases to ensure they are justified and reasonable; however, emergency situations must and will be responded to in the manner in which is required for the circumstance.

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* See State Comptroller's Comment, page 17.

SUNY Downstate Medical Center
Response to the OSC Draft Report 2010-S-45 Recommendations

Recommendation 6:

Cooperate with any Joint Commission on Public Ethics review that may occur as a result of this audit.

Response: ***SUNY DMC does and will continue to cooperate with all reviews by outside agencies. SUNY DMC is confident that the matter discussed in this report, termed "relationships with vendors", does not rise to any level of ethical or, moreover, legal violations. Furthermore, SUNY DMC believes that the available supporting documentation and analysis of the facts as it relates to the referenced State Ethics Commission opinion supports SUNY DMC's position.***

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State Comptroller's Comment

The Office of the State Comptroller has already consulted with law enforcement and will cooperate with any further criminal review.