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**Thomas P. DiNapoli  
COMPTROLLER**



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**OFFICE OF THE  
NEW YORK STATE COMPTROLLER**

**DIVISION OF STATE  
GOVERNMENT ACCOUNTABILITY**

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**DEPARTMENT OF  
CORRECTIONAL SERVICES**

**GREEN HAVEN  
CORRECTIONAL FACILITY**

**LATE VENDOR PAYMENTS**

**Report 2007-S-132**

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## AUDIT OBJECTIVE

Our objective was to determine the reasons for late vendor payments by the Green Haven Correctional Facility and to determine whether the late payments were avoidable.

## AUDIT RESULTS - SUMMARY

If a State agency does not pay a vendor within a certain 30-day timeframe, the agency is required by law to pay the vendor interest on the late payment. In the 2005-06 and 2006-07 fiscal years, Green Haven Correctional Facility (Green Haven) paid its vendors late 49 and 36 percent of the time, respectively, and as a result, had to pay an additional \$23,890 in interest to the vendors.

We reviewed a sample of Green Haven's late payments and identified a number of reasons for the delays in payment (such as delays in forwarding invoices for processing). Most significantly, Green Haven had neither established expected processing times for each step of the vendor payment process, nor monitored the overall payment process to determine whether vendors were paid in a timely manner. We recommend Green Haven do so, and take corrective action when the times are not met.

Our report contains five recommendations for improving the timeliness of vendor payments. DOCS officials agreed with our recommendations and have taken to implement them.

This report, dated November 10, 2008, 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, 11<sup>th</sup> Floor  
Albany, NY 12236

## BACKGROUND

The Department of Correctional Services (DOCS) is responsible for the confinement and habilitation of sentenced inmates held at 69 correctional facilities and the 902-bed Willard Drug Treatment Campus.

Green Haven, which is located in Stormville in Dutchess County, is a maximum security correctional facility for males 21 years or older. Green Haven had a total population of 2,131 inmates and its non-personal services budget was \$8.15 million.

Article XI-A of the New York State Finance Law states that those entities doing business with the State expect and deserve to be paid in a prompt and timely manner. The law sets out the expectation that State agencies pay vendors either within 30 calendar days (excluding legal holidays) after the receipt of a proper invoice at the agency's designated payment office or the date the goods, property or services are actually received, whichever is later. This date is referred to as the "Merchandise Invoice Received Date" (MIR date). If a payment is not made within this 30-day timeframe, the agency is required by the law to pay interest to the vendor if the amount of interest would equal \$10 or more.

For the 2005-06 and 2006-07 fiscal years, DOCS paid \$241,033 and \$111,420, respectively, in interest on late payments to vendors. Among DOCS' correctional

facilities, Green Haven had the fourth highest interest payments in 2005-06 (\$8,312) and the highest in 2006-07 (\$15,578). In 2005-06, its vendor payments were late 49 percent of the time, and in 2006-07, the payments were late 36 percent of the time. Green Haven's Office of Administrative Services is responsible for processing its vendor payments. DOCS facilities use the agency's financial management system (known as KFMS) to prepare vouchers for payment. Green Haven's vouchers for individual payments under \$15,000 are electronically transmitted by KFMS to the Office of the State Comptroller for payment. For larger payments, the hard copy of the voucher must be submitted for processing.

## **AUDIT FINDINGS AND RECOMMENDATIONS**

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### *Reasons for Late Payments*

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For fiscal years 2005-06, 2006-07 and the first four months of 2007-08, Green Haven often failed to process its vendor payments within the required timeframe. As a result, during this period, it had to pay an additional \$23,890 in interest to vendors. Such late payments can affect Green Haven's business relationship with its vendors, and the interest payments divert funds that were intended to be available for the purchase of goods and services.

Green Haven made a total of 2,671 late payments to vendors. These payments totaled \$8.7 million. We selected for review a judgmental sample of 578 vouchers relating to \$4.35 million of these payments.

We then asked Green Haven officials why the 578 vouchers were paid late. According to the officials, the most common reasons for the late payments were as follows:

- paperwork at the facility was delayed or missing,
- there was not enough staff to process the vouchers on time,
- available funds were lacking, and
- the required second-level review of vouchers was delayed.

Officials identified several other less common reasons, as well. However, we focused our review on the four most common reasons. As part of this review, we examined documentation supporting the sampled vouchers. (The officials provided us with 559 of the 578 vouchers in our sample, but stated that they could not find the remaining 19 vouchers, totaling \$116,026.)

#### Delayed or Missing Paperwork

According to Green Haven, 239 of the vouchers (totaling \$2,665,964) were paid late because paperwork at the facility was either delayed or missing. For 160 of the 239 vouchers, the delayed or missing paperwork was the only reason for the delay; for the other 79 vouchers, the delayed or missing paperwork was one of two or more reasons for the delay.

For example, our sample included 20 vouchers for pharmaceutical items. Green Haven officials told us that invoices for such vouchers are sent to the pharmacy along with the items being delivered. Since the date of delivery is the MIR date, the payment clock begins running at this point. However, the invoices are not forwarded to the administrative office for processing until the deliveries are recorded and the receiving reports are prepared, and this is not always done promptly.

Similarly, our sample included ten vouchers for auto parts. According to Green Haven officials, these parts are picked up by staff at the vendor location and brought back to the facility with the invoice. However, the invoice is not always forwarded to the administrative office promptly. Since the MIR date is the date the merchandise and the invoice are picked up, the payments to the vendors may be late.

Green Haven officials told us that they have instructed staff to submit invoices and related paperwork to the administrative office promptly. We recommend the officials also establish expected processing times for each step of the vendor payment process, monitor the process to determine whether the expected times are being met, and take corrective action when the times are not being met.

#### Staff Shortage

According to Green Haven, 157 of the vouchers (totaling \$2,195,775) were paid late because Green Haven's Office of Administrative Services did not have enough staff to process the vouchers within the required 30-day timeframe. For 69 of the 157 vouchers, the lack of staff was the only reason for the delay; for the other 88 vouchers, the lack of staff was one of two or more reasons for the delay. For example, for 12 of the vouchers, the payment was delayed by lack of staff and delayed or missing paperwork.

The officials said that four full-time staff are needed for vouchering and purchasing duties, but the staffing levels in this area have generally ranged between two and four. The officials noted that vouchering and purchasing staff may temporarily be moved to other areas, such as the commissary or the storehouse, when there are vacancies or additional work in those areas, leaving vouchering and purchasing short-staffed.

The officials further noted that position openings must be cleared through a waiver process with the Albany Central Office, which can be time-consuming, and that fiscal concerns can delay filling vacant positions. They also indicated that hiring and retaining staff at their facility can be difficult at times.

We acknowledge these difficulties and note that the current fiscal climate may not allow them to be resolved in a timely manner. Therefore, Green Haven officials need to focus on improved controls and procedures to reduce late payments. We note that Green Haven officials have not developed an action plan for improved controls and procedures to reduce their delays in paying vendors, and as a result, the delays have become chronic. We recommend Green Haven formally assess its vendor payment process, identify and document the reasons for processing delays, and develop specific action steps for controls and procedures to remedy the delays. We also recommend that Green Haven reallocate staff as necessary and practical to ensure that vendor payments are made on time.

#### Awaiting Second-Level Review

According to Green Haven, 93 of the vouchers (totaling \$555,785) were paid late because the second-level review of the vouchers was delayed. For 67 of the 93 vouchers, the second-level review was the only reason for the delay; for the other 26 vouchers, the second-level review was one of two or more reasons for the delay.

There are various types of second-level reviews. For example, all vouchers have to be reviewed by the Principal Accounts Clerk, some types have to be reviewed by the Unit for Physically Disabled (for sign-off on services provided to certain inmates), and some types have to be reviewed by the

Medical Unit (for sign-off on services/tests provided to inmates).

According to Green Haven officials, these reviews should optimally take a day or two. They also stated that they have instructed staff to ensure that the second-level reviews are timely. However, the expected timeframes are not formalized in writing and there is no ongoing monitoring to ensure they occur in a timely manner. We recommend such timeframes be established and such monitoring be performed.

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#### *Multiple Invoices on One Voucher*

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We identified that an additional reason for some of the late payments is that several invoices for a vendor are sometimes batched and paid on a single voucher. While such batching can be efficient, it can also cause payments to be late. When invoices are batched in this way, the earliest MIR date in the batch becomes the MIR date for the entire batch, and the entire batch is considered late (and liable for interest) if payment is not made within 30 days of that MIR date.

For example, one of the vouchers in our sample (totaling \$1,957.56) was paid by Green Haven on May 11, 2007. This voucher covered a batch of nine invoices. The earliest MIR date in the batch was April 3, 2007. The MIR dates for the other eight invoices, which totaled \$1,379.65, ranged from April 13, 2007 to April 26, 2007. The payment date for the voucher was considered late, because that date (May 11) was more than 30 days after the earliest MIR date in the batch (April 3). Even though the other eight invoices were paid within 30 days, they were still considered late, because they were batched with the invoice with the April 3 MIR date. Our sample contained a total of 57 such vouchers (totaling \$826,416). In such situations, Green Haven should pay the

earliest invoice(s) separately from the others, and thus avoid the interest charges.

#### **Recommendations**

1. Ensure that vendor payments are made timely in accordance with the New York State Prompt Payment Legislation.
2. Establish expected processing times for each step of the vendor payment process, monitor the process to determine whether the expected times are being met, and take corrective action when the times are not being met.
3. Formally assess the facility's vendor payment process, identify and document the reasons for processing delays, and develop specific remedies (in the form of an action plan) for the delays.
4. Deploy staff as necessary and practical to ensure that vendor payments are made on time.
5. Do not combine invoices onto one voucher for payment, if as a result, all invoices will be deemed late.

#### **AUDIT SCOPE AND METHODOLOGY**

We conducted our performance audit in accordance with generally accepted government auditing standards. We audited Green Haven's vendor payment process for the period April 1, 2005 through July 31, 2007. To accomplish our objective, we interviewed officials at Green Haven and DOCS central office and reviewed documentation supporting payments made to vendors. We selected a judgmental sample of payments for review from vendors that had received ten or more late payments in the 2005-06 and 2006-07 fiscal years and five or more late payments through July 31, 2007 of

the 2007-08 fiscal year. In total, there were 388 such vendors in the 2005-06 year, 280 such vendors in the 2006-07 year, and 88 such vendors in the first four months of the 2007-08 year.

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**

A draft copy of this report was provided to DOCS and Green Haven officials for their review and comment. Their comments were considered in preparing this final audit report, and are included as Appendix A.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Department of Correctional Services 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, Robert Mehrhoff, Erica Zawrotniak, Marianne Boyer, Dana Bitterman and Dana Newhouse.

## APPENDIX A – AUDITEE RESPONSE



BRIAN FISCHER  
COMMISSIONER

STATE OF NEW YORK  
DEPARTMENT OF CORRECTIONAL SERVICES  
THE HARRIMAN STATE CAMPUS – BUILDING 2  
1220 WASHINGTON AVENUE  
ALBANY, N.Y. 12226-2050

October 22, 2008

Ms. Carmen Maldonado  
Audit Director  
Office of the State Comptroller  
Division of State Government Accountability  
123 William Street, 21<sup>st</sup> Floor  
New York, NY 10028

RE: Draft Audit of Green Haven  
Correctional Facility Late Vendor  
Payments (Report 2007-S-132).

Dear Ms. Maldonado:

In accordance with Section 170 of the Executive Law and in response to your correspondence of October 2, 2008, attached is the Department's reply to the Draft Audit of Green Haven Correctional Facility Late Vendor Payments, Report 2007-S-132.

DOCS would like to acknowledge the time and effort of all employees that were involved with this audit and their desire to improve the Department's operation.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Fischer".

Brian Fischer  
Commissioner

Attachment



BRIAN FISCHER  
COMMISSIONER

STATE OF NEW YORK  
DEPARTMENT OF CORRECTIONAL SERVICES  
**GREEN HAVEN CORRECTIONAL FACILITY**

STORMVILLE, NEW YORK 12582  
(845) 221-2711

ROBERT E. ERCOLE  
SUPERINTENDENT

October 20, 2008

Carmen Maldonado  
Audit Director  
Division of State Government Accountability  
Office of the State Comptroller  
123 William St., 21<sup>st</sup> Floor  
New York, NY 10038

Re: Green Haven Correctional Facility  
Late Vendor Payments - Report 2007-S-132

Dear Ms. Maldonado:

Green Haven would like to thank the Auditors from the Office of the State Comptroller for their insight and suggestions.

We have reviewed the Audit Report of Late Vendor Payments and offer the following comments:

Recommendation 1: *Ensure that vendor payments are made timely in accordance with the New York State Prompt Payment Legislation.*

Response: Green Haven agrees with this recommendation. Employees are instructed to pay vendors within 30 days of receipt or merchandise and/or invoice. Employees have been instructed to inform the area supervisor of any missing paperwork.

Recommendation 2: *Establish expected processing times for each step of the vendor payment process, monitor the process to determine whether the expected times are being met, and take corrective action when the times are not being met.*

Response: Green Haven agrees with this recommendation. We have now implemented a processing time for vendor payments. The process is as follows:

1. Date stamp all paperwork into vouchering office.
2. Once received, receiving and invoices are matched to purchase orders.
3. Invoices are dated with a 10 day and 20 day date. If by the 10 day date no receiving has been received vouchering sends request to area requesting receiving. Follow-up is made 5 days later as well as e-mail to supervisor that paperwork has not been received. The 20 day date is the date all paperwork should be received and processed for payment.

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Recommendation 3: *Formally assess the facility's vendor payment process, identify and document the reasons for processing delays, and develop specific remedies (in the form of an action plan) for the delays.*

Response: Green Haven agrees with this recommendation. We have instructed employees to document reasons for delay on the actual voucher.

Recommendation 4: *Deploy staff as necessary and practical to ensure that vendor payments are made on time.*

Response: Green Haven agrees with this recommendation. We have made every effort to assure staff is available to make vendor payments in a timely fashion. Budget constraints and a hiring freeze have made this difficult. Our business office has nine vacancies. With this number of vacancies, employees are required to cover areas other than their assigned departments.

Recommendation 5: *Do not combine invoices onto one voucher for payment, if as a result, all invoices will be deemed late.*

Response: Green Haven agrees with this recommendation. Staff has been instructed not to combine invoices if it will make them late and incur interest.

Green Haven would like to acknowledge the time and effort of all employees that were involved with this audit and their desire to improve the Department's operation.

Sincerely,



Robert Ercole  
Superintendent