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September 20, 2013

The Honorable Rahul Merchant, Commissioner
Department of Information Technology and Telecommunications
255 Greenwich Street, 9th floor
New York, NY 10007

**Re: Final Letter Report on the Audit of Expenditures Submitted by
Accenture LLP for Its Access NYC Program Contract with the New York City
Department of Information Technology and Telecommunications
(Audit Number FM13-082AL)**

Dear Commissioner Merchant:

We are sending this Letter Report to provide you with the results of the audit regarding Accenture LLP's (Accenture) billing practices for the Access NYC Program contract. The Access NYC Program provides New York City's residents with online access to City, State, and Federal human services benefit programs. Our objective was to determine whether the expenditures for the Access NYC Program contract were reasonable and justified.

During the course of our review, we identified internal control deficiencies regarding the Department of Information Technology and Telecommunications' (DoITT) contract management and payment process that we wish to bring to your attention. Specifically, our audit found that DoITT did not require Accenture to provide detailed information on its consultants' timesheets that would allow verification of work hours. Also, hardware and software purchases lacked delivery slips that would allow us to verify the purchases were delivered as ordered. In our opinion, DoITT, as the oversight agency for this contract, should enhance its controls over its contract management and payment approval process to better ensure that contract expenditures are reasonable and justified.

On August 8, 2013, an exit conference was held and the preliminary letter report dated July 26, 2013, was discussed. We submitted a draft letter report on August 20, 2013, providing DoITT an opportunity to respond to matters discussed herein. On August 30, 2013, we received your written response, which appears to disagree with most of our findings and recommendations. We suggest that the agency reconsider our recommendations requiring that contractors provide more detailed information on their timesheets and to limit mark-up percentages that contractors can charge on subcontractor work in future contracts because these are areas where significant cost savings can be achieved.

The full text of the response is included as an addendum to this letter report. Our detailed comments concerning the response to our recommendations are incorporated in this letter report.

Background

On September 24, 2007, DoITT awarded a contract to Accenture to provide systems integration services for the Access NYC Program between November 1, 2007, and October 31, 2010, with an option to renew

the contract for each of two one-year renewal terms. DoITT exercised both options and extended the contract to October 31, 2012. Under the contract, Accenture was responsible for providing services such as program management and reporting services; planning and analysis services; application/system development, support, and related services; and other systems integration services. The contract's value was approximately \$111 million. As of October 2012, Accenture was paid \$109,406,005.

Findings and Recommendations

DoITT did not have adequate internal controls over its contract management and payment approval process. Our review found that the consultants' timesheets lacked sufficient detail regarding the work performed. In addition, DoITT's project manager did not approve those timesheets in a timely manner. According to the contract, "DoITT's objective shall be to review – as appropriate, approve – and return timesheets to the Contractor within three (3) Business Days after receipt by the City's Project Manager." During January 2009, DoITT's project manager approved Accenture timesheets from 69 to 90 days after receipt. Delayed approval of timesheets was also noted in 2012. For example, on June 11, 2012, DoITT approved timesheets that were dated February 22, 2012, 110 days after receipt. Further, DoITT did not require consultants to enter a detailed description of work performed on the timesheets. Although not required by the contract, without a detailed description of work performed, we question how DoITT's project manager could approve timesheet hours upwards of three months after work was performed. The lack of detail on timesheets and the delay in approving timesheets invalidated the timesheet review process and DoITT's ability to determine whether work performed justified payments made.

In addition, Accenture and DoITT project managers approved timesheets for two consultants whose work week exceeded the allowable hours during January 2009. Proper authorization, such as prior written approval or a request for a waiver, was not obtained for these excess hours as required by the contract.

Further, as of October 2012, Accenture billed approximately \$36 million for the time and material portion of the contract. Although Accenture billed the City at the personnel service rates specified in the contract for its own employees as well as its subcontractors, Accenture was billed by the subcontractors at hourly rates that were significantly lower than the contract rate. In doing so, Accenture in effect added a significant imputed mark-up on services provided by its subcontractors with a mark-up rate as high as 178 percent. For the contract period, subcontractors billed Accenture \$2,286,371 for services and Accenture added a \$1,061,505 mark-up, with an average mark-up rate of nearly 58 percent. when Accenture billed the City for those services (total Accenture billings of approximately \$3.3 million or about 10 percent of the above \$36 million).¹ Consequently, the contract did not include a provision that would limit Accenture's mark-up or require Accenture to pass any savings on to the City that it gained by having subcontractors perform work on the contract. Conversely, the NYS Backdrop contract² (through which the Access NYC contract was procured) states, "Contractor's principal duty shall be to obtain the 'Best Value' for the Issuing Entity who shall be entitled to all savings negotiated by the Contractor on its behalf." Therefore, Accenture should have been held accountable for those provisions.

¹ During 2012, subcontractors billed Accenture \$290,514 for services provided. Accenture subsequently added \$243,890 when it billed the City for those services at the contract-specified rates— an average mark-up of 84 percent (total Accenture billings of \$534,404 out of the \$3.3 million).

² Backdrop contracts were established by the New York State Office of General Services to pre-qualify vendors for provision of service-related contracts. These contracts established standard terms and conditions, set maximum not-to-exceed prices, and satisfied many legal requirements associated with procurements. Backdrop contracts expired on December 30, 2011. Individual contracts awarded under a backdrop contract before December 2011 continued to be governed under those terms.

We also reviewed Accenture's invoices related to hardware and software purchases from third-party vendors in January 2009. Accenture billed \$2,053,529 for hardware and software purchased during January 2009. Although the contract required Accenture to provide appropriate backup and all other supporting documentation to substantiate the invoice charges, Accenture did not provide delivery slips as part of the supporting documents. Without the delivery slips signed off on by a responsible official, we could not confirm that all the hardware and software purchases were delivered as ordered.

Additionally, during January 2009, DoITT delayed submitting payments for certain hardware and software invoices for up to 150 days. The contract states, "In the event that the City makes payment within thirty (30) days from the City's receipt of the Contractor's invoice, the City shall receive a credit of 2% of the amount of the payment, applicable to an invoice submitted to the City within the next thirty days... for services or third party hardware or software.... In the event that the City makes payment within forty-five (45) days from the City's receipt of the Contractor's invoice, the City shall receive a credit of 1% of the amount of the payment, applicable to an invoice submitted to the City within the next thirty days... for services or third party hardware or software." By not paying invoices in a timely manner, DoITT forfeited the sales discount provided in the contract. In January 2009, DoITT only paid three of the seven invoices on hardware and software purchases within 30 days of receipt and, as a result, DoITT was not able to take advantage of the sales discount for the four remaining invoices. Furthermore, for the three invoices that were paid within 30 days, DoITT did not ensure that the sales discount was applied to subsequent invoices as allowed under the contract.

We recognize that correcting the internal control weaknesses identified above will not have a significant impact on this contract because the contract is over. However, we believe that if DoITT enhances its internal controls to address the weaknesses identified in this report, there may be significant benefits for future contracts. Therefore, we recommend that DoITT should:

1. Strengthen the internal controls for its payment approval process by:
 - Reviewing and approving timesheets in a timely manner;
 - Ensuring that consultant obtains proper written approval/waiver before extra hour(s) of work performed is paid; and
 - Ensuring that hardware and software purchased by the contractor is fully supported by documentation that the quantity ordered was actually delivered.

DoITT Response: "We agree that contemporaneous documentation of deliveries should be submitted with invoices, and therefore we accept Recommendation 1 to that extent. Extra hours were properly approved on this project, and the vast majority of timesheets were timely reviewed, and therefore we disagree with the suggestion that systemic changes are needed."

Auditor Comment: DoITT's response to our recommendation only reinforces the need for DoITT to improve its contracting payment efforts. As discussed in this report, if the approval process was flawed and unsupported, DoITT could not ensure the basis for contract payment was appropriate. We reiterate our recommendation.

2. When feasible, take advantage of any sales discount available.

DoITT Response: "We agree that early payment discounts should be taken advantage of when feasible." In its response, DoITT agreed with our finding that three invoices were paid in time to

qualify for the discount allowed under the contract but were not credited to DoITT. Accenture has agreed to reimburse the City \$6,833.86 the discount amount.

Auditor Comment: We acknowledge DoITT's actions and reiterate our recommendation for future contracts.

3. Improve its contract monitoring policy by ensuring that all future contracts:

- Require contractors to provide more detailed information on the timesheets, including but not limited to:
 - A more detailed description of the work performed.
 - Work location for each specific task order if the hourly rates are affected by work location.
- Include a clause that limits the mark-up percentage (imputed or otherwise) that contractors can charge on subcontractor services and equipment.
- Require contractors to provide proof of delivery for all hardware and software purchased.

DoITT Response: "We agree that contractors should be required to submit proof of delivery as back-up to invoices, and therefore we accept Recommendation 3 (c). We disagree that timesheet detail has been insufficient.

Recommendation 3 (b) appears to be founded on the assumption that the City unilaterally dictates contract terms to its vendors, but of course that is not the case. Contract terms are negotiated, and terms such as mark-ups and hourly work rates are especially closely negotiated. Our contract negotiations are conducted by experienced contract attorneys, and the resulting contracts are subject to a sequence of reviews ending with the Comptroller's registration of the contracts. We negotiate for the lowest possible hourly rates and ultimately settle on a level mutually acceptable to us and the vendor. We therefore disagree with the suggestion that the hourly rates negotiated with Accenture were inappropriate in any regard."

Auditor Comment: As the audit points out, the timesheets submitted by Accenture only report the consultants' cumulative hours on a weekly basis. Therefore, the information provided on the timesheet was not sufficient to justify the consultants' hours for a time and material contract. Because a time and material contract does not provide a positive profit incentive for the contractor to limit billing, appropriate government monitoring is required to ensure work is completed in an efficient, timely, and cost-saving manner. This would include a requirement for consultants to provide more detailed information on timesheets.

Contrary to DoITT's interpretation, our report does not recommend that the City unilaterally dictate contract terms. However, we strongly believe that the City should not summarily reject alternatives that may result in cost savings to the City. The practice of restricting the mark-up percentages that contractors can charge on subcontractor services and equipment is meant to control cost. Many other municipalities already include a clause limiting mark-up on subcontractor work in their contracts. It would be in the best interest of the City if DoITT conducts the appropriate cost benefit analysis prior to rejecting an idea that others have found of benefit.

4. Consider conducting a market survey of the hourly rates being paid for various IT consultant work titles and establish a not-to-exceed rate that should be used as a basis for future contracts.

DoITT Response: “DoITT constantly monitors industry rates, and the backdrop contract in this case provided not-to-exceed rates – from which we negotiated discounts for this project.”

Auditor Comment: As reported in this audit, the hourly rates DoITT pays its contractors for work performed by subcontractors is significantly higher than those rates the contractor pays its subcontractors. Because the rates established under the OGS Backdrop contracts are no longer in effect, DoITT needs to reconsider its position and conduct a market survey to identify the current hourly rates for subcontractors. This survey will not only help DoITT better negotiate rates but will also help other City agencies in their negotiations.

Scope and Methodology

We conducted this 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

This audit covered the contract period of November 1, 2007, to October 31, 2012.

To achieve our audit objectives, we reviewed the contract between DoITT and Accenture. To gain an understanding of internal controls over the billing practices and payment approval process, we interviewed relevant personnel from both DoITT and Accenture. We also conducted walk-through meetings with Accenture officials regarding the billing practices and with DoITT officials regarding the payment approval process. The results were documented in memoranda and flowcharts.

As of October 2012, the total expenditures for the contract were \$109,406,005. To determine the accuracy and completeness of DoITT’s record of payments, we compared the total amount paid to both Accenture’s invoices and to the New York City Financial Management System (FMS) Record of Payments.

We judgmentally selected January 2009 as our sample period because it had a mixture of fees charged based on time and material rates, fixed rates, hardware/software purchases, and facilities charges. The total expenditures for January 2009 were \$5,146,247. The expenditures are as follows: \$2,068,304 in time and material fees, \$2,053,529 in hardware/software purchases, \$904,476 in fixed fees, and \$119,938 in facilities charges. We examined all invoices billed for January 2009 to determine whether they were properly approved by DoITT.

The specific tests described below focused on consultants that were billed on a time and material basis and hardware/software purchases, totaling \$4,121,833 during January 2009. The time and material fees and hardware/software purchases totaled \$46,699,166 for the entire contract period. For Accenture invoices that billed for services, we reconciled timesheets to hours billed on Accenture invoices. To determine if the correct hourly rate was used for work performed, we obtained and reviewed the consultants’ New York State OGS titles on the Accenture roll-on forms and the contract-negotiated

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hourly rates Accenture used to bill the City. For Accenture invoices that billed hardware and software purchases, we analyzed purchase orders for quantity ordered and item price.

To determine if the correct contract-negotiated hourly rates were applied, we compared the consultants' titles and rates in the sample invoices with the consultants' contract-negotiated hourly rates based on their OGS titles on their roll-on forms and whether the consultants are identified as traveling resources. We analyzed the working hours on the consultants' timesheets and invoices for January 2009 to determine if the work week billed to the City exceeded the allowable hours. We also reviewed the task descriptions on the consultants' timesheets for any administrative services charged to the City during the contract period.

To test the internal controls of DoITT's payment approval process, we reviewed our sample invoices to determine if they were properly approved in a timely manner and supported by the appropriate documents. We reviewed Section 4-06 Prompt Payment of the PPB Rules. We examined timesheet approval dates from the Accenture project manager and the DoITT project manager, Accenture invoice dates, invoice received dates from DoITT, DoITT's Inspector's Certificate dates, voucher dates, and check issued dates.

To verify and calculate the subcontractors' imputed mark-up for services, we compared the contract-negotiated rate stated on the contract with the subcontractors' hourly rate stated on the subcontractors' contracts.

We also reviewed a limited number of invoices and supporting documents in 2012 to determine if similar control weaknesses identified in January 2009 still existed in 2012.

The results of the above tests cannot be projected to the entire population. However, our results provided a reasonable basis for us to satisfy our objectives.

Sincerely yours,



Tina Kim

- c: Steven Hurst, Managing Director, Accenture LLP
- Patricia Donaldson, Senior Executive, Accenture LLP
- Charles Fraser, General Counsel, DoITT
- Linda Mercurio, Director of Audits and Accounts, DoITT
- Elizabeth Weinstein, Director, Mayor's Office of Operations
- George Davis III, Deputy Director, Mayor's Office of Operations
- Alma Fana, Assistant Comptroller for Financial Audit, NYC Comptroller's Office
- Michael Morgese, Deputy Director, NYC Comptroller's Office



**Information
Technology &
Telecommunications**

Rahul N. Merchant
Commissioner/Chief Information and Innovation Officer
255 Greenwich Street
New York, NY 10007
212-788-6600

August 30, 2013

The Honorable H. Tina Kim
Deputy Comptroller, Bureau of Audit
Office of the Comptroller
Municipal Building
One Centre Street, Room 1100
New York, New York 10007-2341

Dear Ms. Kim:

Thank you for the opportunity to respond to your draft letter report on the audit of contract expenditures to Accenture LLP, the systems integration vendor for the HHS-Connect program. At the outset, let me say that we are pleased that the draft letter report corroborates the tremendous success of the nationally recognized, award-winning HHS-Connect program.

The HHS-Connect program, overseen by the Office of the Deputy Mayor for Health and Human Services, uses innovative technology solutions to improve New Yorkers' access to various City, State and Federal health and human services programs, and to increase cross-agency collaboration and improve the City's delivery of cost-effective, efficient, and client-centered human services to New Yorkers.

The HHS-Connect program built on the success of the initial releases of the ACCESS NYC project, which went live in October 2006. ACCESS NYC (www.nyc.gov/accessnyc) is a free, online, one-stop resource that allows New York City residents to check their eligibility for City, State, and Federal health and human services programs, find out how to apply for the programs, get information on required application documents, download blank or pre-populated application forms, and locate program offices.

The phase of the HHS-Connect program that was the subject of this audit included several main components: expansion of ACCESS NYC; development of Worker Connect, Common Client Index, and Document Management components; and development of an Enterprise Case Management system for the Department of Homeless Services (DHS), known as CARES.

Following a competitive selection process, the City contracted with Accenture LLP to provide systems integration services in connection with this phase of the HHS-Connect program. The contract was registered by the Comptroller, and was effective on November 1, 2007. An HHS-Connect unit was created in 2008 within the Department of Information Technology and Telecommunications (DoITT) to

develop and implement the HHS-Connect program, including oversight of the Accenture contract. The HHS-Connect operational staff was transferred to the Human Resources Administration in 2011.

ACCESS NYC was expanded to cover more than 30 City, State, and Federal programs.¹ In March 2009, the client portal was redesigned and integrated with 311 online. Additional releases from 2008 to 2010 enabled users to submit online applications for the Supplemental Nutrition Assistance Program (SNAP, or food stamps), School Meals, Senior Citizens Rent Increase Exemptions (SCRIE), Disabled Rent Increase Exemption (DRIE), and Medicaid/Family Health Plus renewals. Users can create accounts that allow them to return at a later date. ACCESS NYC is available in English, Spanish, Russian, Arabic, Chinese, Korean, and Haitian Creole.

Worker Connect allows City workers to quickly view select client information collected by other City agencies, in compliance with applicable confidentiality laws and regulations. This is enabled by the Common Client Index, which allows a single comprehensive view of a client who has interacted with a participating agency. The Document Management solution provides access to client-provided document images. Combined, these three components of HHS-Connect vastly improve information-sharing among the City's health and human service agencies, increasing inter-agency collaboration and enhancing service delivery.

Last, this phase of HHS-Connect enhanced the technology capabilities of DHS through the development of an Enterprise Case Management systems and tools. In 2011, the DHS Client Assistance and Re-housing Enterprise System (CARES) went live as the first HHS-Connect Enterprise Case Management system, establishing a data model and platform for health and human services. It is expected that later phases of the HHS-Connect program will include Enterprise Case Management systems for other health and human services agencies.

In operation, the HHS-Connect program has been a phenomenal success, substantially improving New Yorkers' access to important health and human services programs. For instance, the ACCESS NYC home page has had 3,042,725 visits, and 724,660 user accounts have been created. Since launch, 277,662 Medicaid renewals have been submitted through ACCESS NYC, as well as 172,485 food stamps applications, 29,645 school meals applications, and 2,416 SCRIE/DRIE applications. There are more than 6,700 provisioned users for Worker Connect, drawn from more than 30 user groups across ten City agencies.

HHS-Connect has been recognized with a dozen national, state and local awards, from the New York City Excellence in Technology award for best inter-agency collaboration to the National Information Exchange Model award for information architecture and development. Many of these awards

¹ Programs available on ACCESS NYC include *Programs for Families with Children*: Child Care, Head Start, Out-of-School Time (OST), Universal Prekindergarten (UPK); *Employment and Training Programs*: In-School Youth Employment Program (ISY), New York State Unemployment Insurance, NYCHA Resident Economic Empowerment and Sustainability (REES), Senior Employment Services (SES), Summer Youth Employment Program (SYEP), Workforce1; *Financial Assistance Programs*: Cash Assistance, Child and Dependent Care Tax Credit (Federal and New York State)/New York City Child Care Tax Credit, Child Tax Credit, (Federal)/Empire State Child Credit (New York State), Earned Income Tax Credit (EITC) (Federal, New York State and New York City), Home Energy Assistance Program (HEAP); *Food and Nutrition Programs*, Commodity Supplemental Food Program (CSFP), Food Stamps, School Meals, Summer Meals, Women, Infants and Children (WIC); *Health Care Services*: Nurse-Family Partnership (for first time pregnant women); *Health Insurance Programs*: Child Health Plus, Family Health Plus/Medicaid, Family Planning Benefit Program (FPBP), Healthy NY, Medicaid (coverage for adults), Medicaid (coverage for children), Medicaid Excess Income/Medicaid, Prenatal Care Services through Medicaid; *Housing Programs*: Disability Rent Increase Exemption (DRIE), Disabled Homeowners' Exemption (DHE), School Tax Relief (STAR), Section 8 Housing Assistance, Senior Citizen Homeowners' Exemption (SCHE), Senior Citizen Rent Increase Exemption (SCRIE), Veterans' Exemption.

specifically recognized the cutting edge nature of the HHS-Connect program and its innovative use of information technology to improve the delivery of government services.

In light of this outstanding operational success, we are pleased that the draft report finds that the project was a financial success as well. Of a total expenditure of \$109,601,214.67, the auditors question \$3,296,712.05 – and we disagree with all of that except for \$6,833.86. We have asked Accenture to reimburse this amount, and Accenture has readily agreed.

The small scope of the findings demonstrates the high quality of management by the HHS-Connect team, and bears out the strength of financial controls maintained over the HHS-Connect project.

Following are our responses to the specific audit findings:

1. *Accenture consultants' timesheets lacked sufficient detail regarding the work performed. We disagree with this finding. The timesheets stated the name of the consultant, the date of the work performed, the specific task order and task name performed, and the specific task item. The task orders and task names on the timesheets related to the project plan and the steps within the project plan managed by the HHS-Connect project manager. Indeed, the necessary details and references to substantive support documents –were reflected on the timesheets.*

2. *The HHS-Connect project manager did not approve timesheets in a timely manner. The draft audit report notes one timesheet dated February 22, 2012, and an unspecified number of timesheets approved during January 2009 that were approved more than 60 days after they were submitted. Therefore we agree that review of timesheets was not uniformly prompt. But we disagree with the assertion in the draft report that a small number of untimely timesheet reviews indicates that HHS-Connect "did not have adequate internal controls over its contract management and payment approval process." On the contrary, such a small number of delays demonstrates the overall adequacy of controls. Moreover, no money was improperly paid to Accenture on account of delayed reviews.*

3. *HHS-Connect approved timesheets for two consultants whose work week exceeded the allowable hours during January 2009, without prior authorization or a request for a waiver as required by the contract. Unfortunately, the auditors have misread the contract, and therefore we disagree with this finding. The contract generally precluded Accenture from submitting an invoice for a consultant's work in excess of 40 hours in a week unless the excess hours had prior approval from HHS-Connect, but the contract explicitly excluded work performed under "exigent circumstances" from the prior approval requirement. In the event of exigent circumstances, Accenture could submit an invoice for a consultant's work up to 48 hours in a week, and approval of the invoice constituted after-the-fact approval of that work. The two consultants mentioned by the auditors worked 46 and 48 hours, and approval of the invoice reflecting those hours constituted approval of those hours.*

4. *Accenture did not provide delivery slips as supporting documents to invoices for hardware and software purchased during 2009. Without the delivery slips signed off by HHS-Connect, we could not confirm that the hardware and software was delivered as ordered. We agree that contemporaneous documentation of delivery should have been submitted in support of invoices. Nonetheless, HHS-Connect did verify the delivery of each and every order as delivery was made. And in fact every piece of hardware and software ordered is present on site. Moreover, following the audit exit conference we*

obtained access to Accenture's internal tracking system and reviewed it with the auditors, and all deliveries were verified.

5. *Although Accenture billed the City at the personnel service rates specified in the contract, in doing so Accenture in effect added a significant imputed mark-up on services provided by its subcontractors, in violation of the New York State backdrop contract. We disagree with the auditors' interpretation of the backdrop contract, as we have disagreed with the Comptroller's auditors on this same point in past audits. The backdrop contract specifies hourly rates and permits municipalities to negotiate lower hourly rates for specific projects – which we did. Once those discounts were negotiated and agreed to, they were applicable to project work. More importantly, there is no suggestion that any work provided by Accenture's subcontractors was subpar in any respect, and of course the successful completion of the project indicates otherwise.*

6. *Four of seven invoices paid during January 2009 were not paid in time to obtain the contractual two percent discount for early payment. The remaining three invoices were paid in time to obtain the discount, but the discount was not obtained. Elsewhere in the report, the auditors acknowledge that prompt payment is not always "feasible," and it was not feasible in the instances indicated by the auditors. We agree that three invoices were paid in time to qualify for the discount, and we agree that the discount was not received. The total overpayment by the City was \$6,833.86. As noted above, Accenture has agreed to reimburse the City for this amount.*

Following are our responses to the audit recommendations:

1. *Strengthen internal controls by:*
 - a. *Reviewing and approving timesheets in a timely manner.*
 - b. *Ensuring that consultants obtain proper approval before extra hours of work is paid.*
 - c. *Ensuring that hardware and software purchased by the contractor is fully supported by documentation that the quantity ordered was actually delivered.*

We agree that contemporaneous documentation of deliveries should be submitted with invoices, and therefore we accept Recommendation 1 to that extent. Extra hours were properly approved on this project, and the vast majority of timesheets were timely reviewed, and therefore we disagree with the suggestion that systemic changes are needed.

2. *When feasible, take advantage of any sales discount available.*

We agree that early payment discounts should be taken advantage of when feasible.

3. *Improve contract monitoring by ensuring that all future contracts:*
 - a. *Require contractors to provide more detailed information on the timesheets, including but not limited to a more detailed description of the work performed and work location for each specific task order if the hourly rates are affected by work location.*
 - b. *Include a clause that limits the mark-up percentage that contractors can charge on subcontractor services and equipment.*
 - c. *Require contractors to provide proof of delivery for all hardware and software purchased.*

We agree that contractors should be required to submit proof of delivery as back-up to invoices, and therefore we accept Recommendation 3(c). We disagree that timesheet detail has been insufficient.

Recommendation 3(b) appears to be founded on the assumption that the City unilaterally dictates contract terms to its vendors, but of course that is not the case. Contract terms are negotiated, and terms such as mark-ups and hourly work rates are especially closely negotiated. Our contract negotiations are conducted by experienced contract attorneys, and the resulting contracts are subject to a sequence of reviews ending with the Comptroller's registration of the contracts. We negotiate for the lowest possible hourly rates and ultimately settle on a level mutually acceptable to us and the vendor. We therefore disagree with the suggestion that the hourly rates negotiated with Accenture were inappropriate in any regard.

4. *Consider conducting a market survey of the hourly rates being paid for various IT consultant work titles and establish a not-to-exceed rate that should be used as a basis for future contracts.*

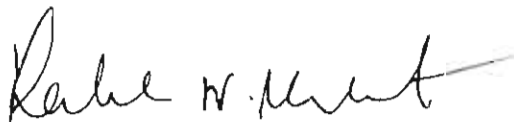
DoITT constantly monitors industry rates, and the backdrop contract in this case provided not-to-exceed rates – from which we negotiated discounts for this project.

Once again, thank you for the opportunity to submit this response to the draft letter report. I look forward to the continued success of the HHS-Connect program and continued innovation in the delivery of human services to New Yorkers.

Sincerely,



Louisa Chafee
Executive Director of Management Innovation
Office of the Deputy Mayor Health and Human Services



Rahul N. Merchant
Commissioner/Chief Information and Innovation Officer