



NEWS RELEASE

From New York State Inspector General
Catherine Leahy Scott

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STATE OFFICIAL ACCEPTED IMPROPER GIFTS INCLUDING FOOD, BEVERAGES, TRAVEL AND A LUCRATIVE JOB OFFER FROM A COMPANY WHICH HAD A \$120 MILLION STATE CONTRACT HE OVERSAW

ALBANY - New York State Inspector General Catherine Leahy Scott released today an [investigative report](#) which found that a top official with the State Office of Medicaid Inspector General (OMIG) accepted numerous improper gifts and rewards, including travel and a lucrative job offer, from a corporation whose multi-million dollar State contract he oversaw.

In apparent violation of State ethics laws, Joseph “Jeff” Flora, a former OMIG director, accepted thousands of dollars in meals, alcoholic beverages, travel and ultimately a job offer with a signing bonus from Health Management Systems (HMS), a publicly-traded company with a State contract valued at up to \$120 million dollars. Flora accepted the improper gifts and rewards during several years while he directly oversaw HMS’s contract performance in data mining to help recoup improper Medicaid payments. At the same time Flora was overseeing this state contract, he gave testimonials on behalf of HMS, touting HMS’s performance to government entities in other states seeking similar services.

“Flora used his official position to secure improper gifts and a financially lucrative job from HMS, and HMS used Flora to help expand its business,” said Inspector General Leahy Scott. “This arrangement flouted state law, and the investigation and my recommendations highlight the need to ensure the utmost integrity in the government contracting process.”

Since at least 2006, HMS has worked under successive contracts with OMIG as one of more than a dozen outside vendors helping recoup improper Medicaid payments. Flora, until his forced retirement in 2014, oversaw HMS’s contract.

New York State Public Officers Law prohibits State employees from accepting gifts of more than nominal value from companies doing business with the State. It also prohibits employees from using their official position to secure unwarranted privileges for others. Separately, as a client of a registered lobbyist throughout the entire time period, HMS was subject under the State Lobbying Act to certain prohibitions to giving gifts to public officials.

Nonetheless, based on records obtained from HMS, Flora received a total of \$799.88 in meals and alcoholic beverages from HMS in 2011. The next year, he received \$560.98 in meals and alcoholic beverages. In January 2013 alone, HMS paid for Flora to attend a party at Jack’s Oyster House in Albany, dine at Albany’s Recovery Sports Grill, and bought him a bottle of Jim Beam.

In February 2013, HMS paid \$1,034.60 to fly Flora to and from Texas for an interview, and in March 2013, Flora accepted an employment offer from HMS at a salary of \$135,000 per year plus an \$18,000 signing bonus.

In addition to accepting gifts and the offer of employment, Flora provided HMS with testimonials and endorsements, using his official position with the State to tout its services to government entities across the United States. For example, in 2011, the State of Oregon, on a computer discussion system available to government entities but not open to the private sector, requested assistance in acquiring data regarding newly eligible Medicaid recipients. Flora sent the inquiry to his contacts at HMS, and they wrote and sent him the response he should post in the computer discussion system. The response specifically cited and touted HMS's capabilities, and Flora used his official title and email to post it as if it came from him.

After the response was sent, an HMS employee sent Flora an email stating, "I think you need a foot rub or something. THANK YOU!" This HMS employee separately testified to the Inspector General's office that Flora provided references to HMS on its contract bids in other jurisdictions.

More recently, internal HMS emails indicated that Flora's improper testimonials helped them secure work in Nevada worth approximately \$200,000 during the first year of the contract. Subsequent HMS testimony indicated that a senior level employee of HMS sent Flora the bottle of Jim Beam as a thank you for that contract.

Several emails obtained during the Inspector General's investigation indicated a direct link between Flora's testimonials for HMS and their rewarding him with gifts and the job offer.

Throughout all these activities, HMS's contract with OMIG specifically cited the Public Officers Law and required HMS employees to be aware of the law and comply with its requirements.

Flora signed the HMS employment contract on March 18, 2013, and on the same day, advised OMIG that he would be commencing employment with HMS that April. Because Flora accepted the job offer while still overseeing HMS's contract, OMIG placed Flora on administrative leave. HMS rescinded the job offer after OMIG began raising questions.

Inspector General Scott made the following recommendations, which OMIG accepted and implemented:

- Retrain all OMIG employees involved in vendor contracts regarding the prohibition against accepting gifts from vendors.
- In accordance with the 2013 Directive from the Governor's Office and State Finance Law, determine whether HMS is a responsible contractor/bidder, and whether it should be barred from other state contracts.

Inspector General Scott advised OMIG of her preliminary findings in late 2013, resulting in OMIG and Flora entering into a settlement whereby Flora would forfeit 15 vacation days and be permitted to retire with full benefits. After the agreement was executed, however, OMIG failed to deduct the 15 days from Flora's accrued vacation balance, permitting Flora to retire without consequence. After the Inspector General advised OMIG of this oversight, OMIG was able to recover the money Flora owed.

The Inspector General has referred her findings to the Joint Commission on Public Ethics (JCOPE) for potential enforcement actions against both Flora and HMS.

[Click here for a copy of the report](#)

[Click here for a downloadable audio file of Inspector General Catherine Leahy Scott's comments on this case.](#)

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