New York State Comptroller
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Improving Government Efficiency and Effectiveness

Lessons Learned from Past OSC Audits

October 2021

Fiscal Stress on New York State

The COVID-19 pandemic resulted in widespread loss of employment and wages due to the economic shutdown and continued business restrictions, while also driving increases in State expenses such as health care. While the pandemic had a large impact on the State's sales tax collections in State fiscal year 2020-21 — a decline of 11.2 percent — total tax receipts were less than 1 percent lower than in the prior fiscal year, buoyed by growth in the personal income tax. The State fiscal outlook has improved due to an easing of restrictions, a recovering economy, extraordinary federal financial assistance, and temporary new tax increases. Supported by these conditions, the enacted budget for State fiscal year 2021-22 is the largest in State history and adds significant new recurring spending, particularly in education and Medicaid. A recent report from the Office of the State Comptroller (OSC) describes risks to the State's financial plan and the potential for larger out-year gaps in the future. To help stabilize State finances over the long term, State leaders must be vigilant in ensuring that they effectively and efficiently utilize their available resources.

State Government Accountability's Role

OSC promotes accountability, and seeks to improve State and local government agency performance — while building the public's trust in all levels of government — through independent reviews, analyses, and oversight of State and local fiscal affairs. OSC's Division of State Government Accountability (SGA) is responsible for auditing all State and New York City agencies, public authorities, and public programs. SGA audits promote transparency and accountability in State and New York City governments as well as public authorities by determining whether entities are spending tax dollars effectively and efficiently and have effective controls to eliminate waste and prevent fraud and abuse of public funds. Over the five-year period ended September 30, 2020, SGA audits identified almost $5 billion in fiscal impacts, including $2.5 billion in actual and potential cost savings and $2.4 billion in non-recoverable overpayments and questionable transactions, as detailed in the following table.

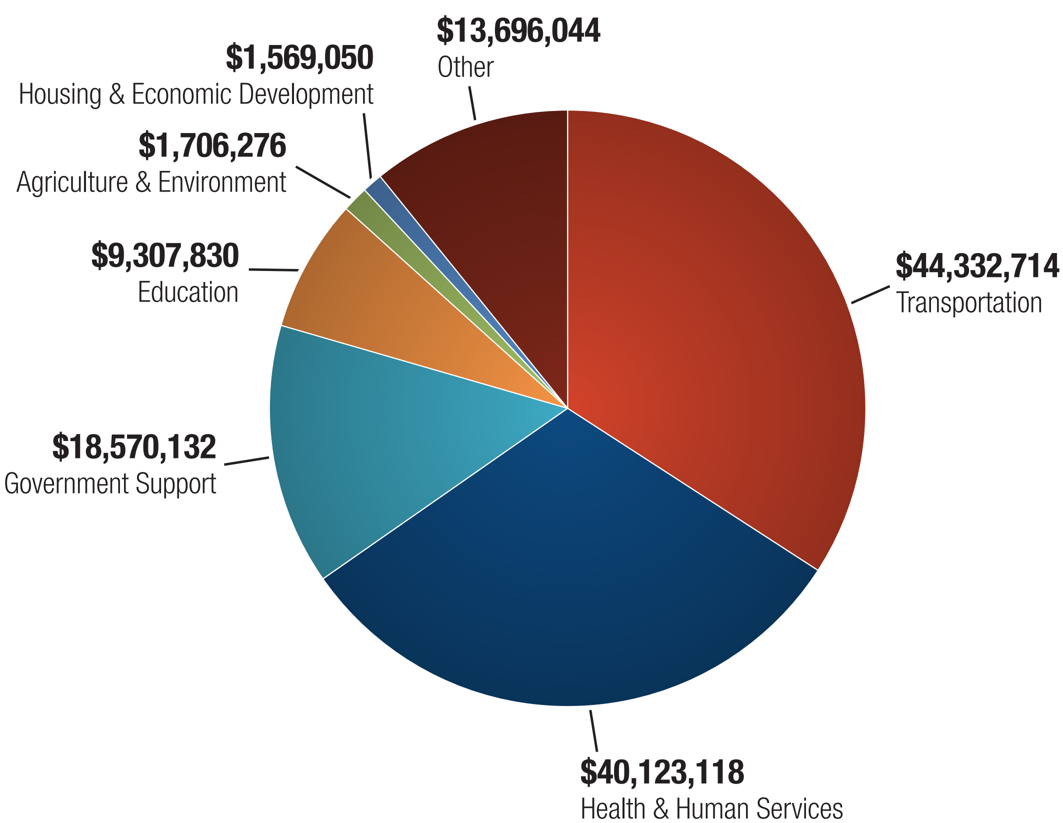
Fiscal Impacts for the Five-Year Period Ended September 30, 2020*

Fiscal Category	Actual	Potential	Totals
Cost Recovery	$720,083,050	$335,613,446	$1,055,696,496
Cost Avoidance	636,672,718	90,720,388	727,393,106
Revenue Enhancement	608,565,645	142,103,080	750,668,725
Subtotals	**$1,965,321,413**	**$568,436,914**	**$2,533,758,327**
Non-Recoverable Overpayments and Questionable Transactions			2,464,147,058
Total Fiscal Impact			**$4,997,905,385**

*Includes special education, New York State Health Insurance (NYSHIP), and Medicaid audits

SGA's audits encompass broad categories of operation such as transportation, government support, health and human services, education, housing, and economic development. The following chart illustrates fiscal impact by category.

Fiscal Impact by Audit Category
October 1, 2015 Through September 30, 2020
(Excluding Special Education, NYSHIP, and Medicaid Audits)



This report summarizes select audits that highlight SGA's efforts to promote fiscal responsibility and brings renewed attention to ideas that could result in cost savings or revenue enhancements for the State and New York City.

The audits, all released within the past five fiscal years, demonstrate significant financial impact. The issues and risks they identified should inform agencies with similar programs on improving efficiency in their own operations and strengthening internal controls to prevent excess costs.

Where auditors identified room for improvement in the administration of public funding, several common themes emerged across the audits, namely collaboration, enforcement, and oversight. We believe that these themes have opportunities in many more programs. When programs miss opportunities to share knowledge and systems, they also miss opportunities to save money for New York State, New York City, and public authorities. When entities fail to use existing deterrents or create more effective means to enforce collection of fees and fines, revenue is lost. When agencies do not adequately control project and program spending through consistent and careful monitoring, money is potentially misspent.

Attention to these underlying issues, and the corrective actions recommended by SGA, would assist in putting New York State and New York City on sounder financial ground as we recover from the financial effects of the pandemic and rebuild funding for essential programs and services.

Revenue Enhancement

Audit Category	**Revenue Enhancement – Cashless Tolling**
State Agency	**Metropolitan Transportation Authority (MTA)**
Government Category	**Transportation**
Audit	Efforts to Collect Tolls and Fees Using License Plate Images and Law Firms (2017-S-70)
Fiscal Impact	**$2,400,000**
Significance	New York State has increasingly implemented cashless tolling over the past five years. In addition to the Triborough Bridge and Tunnel Authority (TBTA), the New York State Thruway Authority underwent a systemwide conversion in November 2020 that included 58 tolling locations across the Thruway's 450-mile ticketed system. This audit highlighted issues that need to be considered systemwide in order to reduce revenue leakage and ensure toll collection efforts are maximized.
Issues	• Tracking temporary license plates • Avoiding unreadable license plate photos • Collaborating with other entities • Evaluating collection programs

The purpose of this audit, issued on July 11, 2018, was to determine whether the TBTA, also known as MTA Bridges and Tunnels, took action to collect unpaid tolls and fees using outside law firms and to minimize unbillable toll transactions. The audit covered the period January 1, 2013 through August 20, 2017.

TBTA operates seven toll bridges and two tunnels that interconnect parts of New York City. TBTA carries more traffic than any other bridge or tunnel authority in the nation. TBTA toll revenues help subsidize MTA's transit and commuter rail services.

In November 2012, TBTA implemented cashless tolling at the Henry Hudson Bridge. Cashless tolling uses the E-ZPass system but replaced cash with Tolls by Mail, which uses photographs of license plates to mail toll bills to the registered vehicle owners. In 2016, the MTA announced that, as part of cashless tolling, it was moving to Open Road Tolling, which uses both E-ZPass and Tolls by Mail, and would be dismantling the toll booths from all its TBTA crossings by the end of 2017 so motorists would no longer have to wait in line to pay tolls.

The Open Road Tolling system captures up to six images per vehicle, and selects only the two best images (one front and one rear view) to send to the E-ZPass New York Customer Service Center (NYCSC) for processing. The images sent to NYCSC are reviewed to identify the vehicle license plate number and state. If either of these cannot be identified (e.g., due to illegibility), the image is categorized as "rejected" and tolls are unable to be collected. Auditors found that, from January 1, 2013 through August 20, 2017, TBTA categorized 340,851 images as rejected, resulting in potential lost revenue of $2.4 million. Furthermore, the number of unbilled toll transactions increased exponentially during 2017 as Open Road Tolling expanded to all TBTA facilities.

TBTA's efforts to collect tolls could be enhanced if it improved NYCSC's access to vehicles' complete image files. TBTA officials stated they do not send all six images per vehicle due to bandwidth issues. Notably, despite later taking steps to increase bandwidth, TBTA stated it would continue to use only two images. Furthermore, although TBTA's Tolling Operations unit reviews NYCSC's Image Review Rejects reports to identify any images that were wrongly rejected, it does not share its results outside the unit. Auditors' review of selected reports and judgmental samples found images that were incorrectly categorized as rejected and not billed. In addition, where NYCSC reported that images were rejected due to maintenance issues, Tolling Operations could not provide documentation to support that it took any action to address the issue or that it regularly reviewed NYCSC reports for such issues.

Another source of revenue loss stems from TBTA's inability to collect on vehicles with temporary license plates and many tractor trailers. For the latter vehicles, it is the owner of the tractor component, not the owner of the trailer, that is billed for tolls. Where the license plate of the tractor is obstructed from the camera's view, the registered vehicle owner cannot be identified for billing. Given that the toll for a five-axle tractor trailer is 5.4 times that of a car, this represents a potential significant loss of revenue. Auditors determined that TBTA could improve its ability to collect these tolls by collaborating with its Fleet Program to require members to register their trailers so they can be charged if the registered owner of tractor cannot be identified.

To address these inefficiencies, auditors recommended that TBTA: improve NYCSC access to the complete image files to decrease rejections; periodically revisit and monitor the rejected image review process to ensure staff are accurately categorizing the rejected images; require entities in TBTA's Fleet Program to register their tractor trailers; obtain temporary license plate registration information from out-of-state motor vehicle departments; and follow up on efforts to ensure judgment enforcement is cost effective.

Audit Category	**Revenue Enhancement – Fees/Licenses/Permits**
State Agency	**New York City Department of Transportation (DOT)**
Government Category	**Transportation**
Audit	Controls Over Revocable Consents (2018-N-1)
Fiscal Impact	**$1,100,000**
Significance	Over the past five years, New York State collected a total of $17.8 billion in fees, licenses, and permits. State agencies should ensure the proper calculation and collection of fees to maximize State revenues.
Issues	• Errors in manual calculations • Inconsistencies in rules application • Failure to ensure escalation factors and/or other annual charges are included in fee calculations

The purpose of this audit, issued on September 23, 2020, was to determine whether DOT: billed and collected the correct fees for revocable consents; ensured that all structures met the standards required by the Rules of the City of New York; and performed monitoring to ensure all structures requiring a revocable consent had one in place. The audit, reviewing 21 consents, covered the period July 1, 2016 through July 29, 2019.

A revocable consent grants an individual or organization the right to construct and maintain certain structures on, over, or under City streets and sidewalks (e.g., handicap ramps with railings, steps/stoops). To obtain this right, the property owner must file a petition for the revocable consent with DOT's Office of Cityscape and Franchises (Office). Revocable consents are granted for a term of 10 years with the possibility of renewal, and DOT charges an annual rate based on either a formula or a flat rate. Rates are assessed using criteria delineated in the Rules of the City of New York (Rules). Auditors found that the Office did not bill and collect the correct annual rates for 84 percent of consents reviewed during the audit (21 of 25), and was inconsistent in its application of the Rules as written when calculating the annual rate to be billed. As a result, the 21 grantees were undercharged an estimated $1,056,242. For example, the Office undercharged one grantee $463,512 for fiscal years 2017 and 2018 by annually calculating and renewing the initial consent rate rather than recalculating the amount for the first year of renewal and then applying the escalating factor for the remaining years of the 10-year term, as specified in the Rules. Furthermore, the Office had yet to receive payment for fiscal year 2019 and could have potentially undercharged this grantee an additional $219,748, for a total undercharge of $683,260. For six other consents, the Office did not renew or did not promptly renew the consents and continued to bill at the same rate as the last annual payments. This resulted in a total undercharge of $313,322 for these six consents for the three years ended June 30, 2019. The remaining $59,660 in undercharges was attributable to 14 consents where the Office applied either an incorrect Consumer Price Index and/or an incorrect escalating factor.

Auditors recommended that, among other actions, DOT: implement independent managerial review of the calculations; prepare a checklist of requirements, such as needed documents, security deposit, insurance requirements, and agency approvals for each consent; and bill revocable consent grantees for the identified undercharges, where appropriate. DOT officials disagreed with our audit methodology and certain conclusions, but partially agreed with these recommendations, stating that they appropriately billed consents and would continue to do so but would also conduct an internal review of the findings.

Audit Category	**Revenue Enhancement – Fines & Penalties**
State Agency	**Department of Health (DOH)**
Government Category	**Health & Human Services**
Audit	Nursing Home Surveillance (2015-S-26)
Fiscal Impact	**$820,000**
Significance	Over the past five years, New York State collected a total of $8.7 billion in fines and penalties. State agencies should ensure the proper calculation and collection of fines and penalties to maximize State revenues.
Issues	• Inefficiencies in operations resulting in delayed collection of assessed fines • Utilization of all available deterrents to avoid facilities repeating serious violations

The purpose of this audit, issued on February 19, 2016, was to determine whether DOH consistently followed federal and State regulations and procedures for conducting nursing home surveys, and whether survey processes were effective in improving quality of care and safety in nursing homes. The audit covered the period January 1, 2012 through September 17, 2015.

DOH acts as an agent for the federal government's Centers for Medicare & Medicaid Services (CMS) in monitoring the quality of care in nursing homes. DOH is responsible for ensuring nursing homes comply with federal and State regulations that establish standards governing their operations through on-site facility inspections, referred to as surveys. Surveys consist of: standard health and life surveys (which, per CMS guidelines, must be completed at least once every 16 months); complaint surveys that investigate issues and reported non-compliance at facilities; and follow-up surveys to monitor facilities' progress in correcting previously identified deficiencies. DOH issues citations for any deficiencies identified through surveys and, depending on the severity of the citation, can implement a range of enforcement actions, including fines, directed plans of corrective actions, and facility closure, if warranted.

Auditors found that inefficiencies in DOH's processes significantly impaired its ability to assess fines in a timely manner, in some cases resulting in delays of up to six years between when a violation was cited and the resulting fine was imposed. As of July 2015, the most recent facility survey that had progressed to the point of fine assessment was completed over three years earlier, in March 2012. In the intervening three years through May 2015, completed surveys identified 433 citations that met DOH's criteria for fine assessment but had yet to progress to that point. Based on the Public Health Law, the standard fine for the 433 citations amounted to $820,000—none of which had been assessed and collected.

Auditors also determined that DOH was not utilizing the full array of enforcement actions available to it under both State law and CMS guidelines, choosing to not levy fines for well over 80 percent of the violations it cited. These weaknesses appear to undermine the incentive that fines can have as a deterrent to deficient practices, as well as the sense of urgency for correcting the deficiencies, particularly in addressing cases of repeated non-compliance.

DOH agreed with SGA's recommendations and took several actions, including instituting a revised enforcement policy. The stated goal of the revised policy was to ensure that enforceable events and related enforcement actions, including notification of such to the nursing home, will be handled promptly. DOH also stated it would carefully consider the assessment of fines, as recommended by SGA.

In a follow-up review (2017-F-12), issued on March 8, 2018, auditors found that DOH had developed an automated suite of reports to track and monitor the status of enforcement processing. These reports are to be reviewed monthly by staff to ensure that enforcement determinations are made within the required time frames. DOH decided against issuing fines for certain classes of citations identified in the original audit that often later progress to more serious violations. However, in certain cases, DOH did ultimately decide to impose a civil penalty, and agreements were reached with the facilities. Additionally, DOH sent letters to facility administrators notifying them that it would recommend State-level enforcement actions against nursing homes found to be non-compliant with State regulations, pursuant to Section 12 of the Public Health Law. DOH also extended the increased penalty amounts—a $5,000 fine for repeat violations fined in consecutive years and a $10,000 fine for violations that resulted in serious physical harm to a resident—through April 2020.

Audit Category	**Revenue Enhancement – Monitoring & Oversight**
State Agency	**New York State Gaming Commission (Gaming)**
Government Category	**Gaming (Other)**
Audit	Oversight of Casino Revenues and Regulatory Oversight Reimbursement Collections (2019-S-8)
Fiscal Impact	**$13,000,000**
Significance	Casinos operating in New York State generate billions in State revenues, the majority of which is put toward education and property tax relief efforts. To ensure casinos operate in compliance with State regulations and agreements, Gaming oversees casino operations and charges the casinos for these oversight costs. Through agreements with each casino, these administrative costs should be reimbursed by the casinos. Proper calculation of such costs and prompt billing ensures the State is reimbursed accurately and timely.
Issues	• Timely calculation and billing of administrative costs for non-State entities • Compliance with State regulations

The purpose of this audit, issued on January 10, 2020, was to determine whether Gaming adequately monitored casinos to ensure that revenues were appropriately collected, accounted for, and transmitted to the State, and that regulatory oversight costs were assessed and collected as required by law or compact (agreements with the State). The audit covered the period April 1, 2016 through March 31, 2019.

Gaming regulates all aspects of gaming activity in New York and is responsible for overseeing three types of casinos in the State: commercial, video lottery terminal (VLT),[1] and Class III tribe/nation (tribe/nation). Commercial and VLT casinos are required to remit a percentage of their gaming revenues to the State, and tribe/nation casino remittances are defined in compacts.

During the three fiscal years ended March 31, 2019, Gaming received $4.2 billion in revenues from casinos. Gaming had officials placed at each casino to ensure compliance with gaming regulations and tribe/nation compacts, and collected $144.8 million from VLT casinos and $8.9 million from tribe/nation casinos for these oversight costs. As of October 2018, Gaming reported it had not billed an estimated $13 million in oversight costs for the commercial casinos. While Gaming stated that a lack of regulations complicated the process of allocating oversight costs, the process for creating these regulations was completed during the audit and the costs were to be billed.

Auditors recommended that Gaming assess and bill commercial casinos' oversight costs in a timely manner, and develop and implement policies and procedures for handling oversight cost disputes. In response to the audit findings, Gaming officials stated that bills for oversight costs had been issued; however, they did not provide evidence that all bills were issued. Further, not all the costs were collected. Additionally, officials stated that procedures to ensure annual billing had been developed. However, a follow-up review found that Gaming failed to bill the total amount due from 2016 to 2019. While it has billed the 2020 costs, Gaming has not collected any of the amount due for the entire period from 2016 to 2020.

1 For the purposes of this report, the term "VLT casinos" describes the 10 New York State gaming facilities (including two facilities that have since ceased operating as VLT casinos) that were remitting percentages of their VLT gaming revenues to the State during the audit period of April 1, 2016 through March 31, 2019.

Procurement and Contracting Monitoring

Audit Category	**Procurement and Contract Monitoring – Unallowable Program Expenses**
State Agency	**Office of Addiction Services and Supports (OASAS)**
Government Category	**Health & Human Services**
Audit	Contracted Programs With Puerto Rican Organization to Motivate, Enlighten and Serve Addicts, Inc. (2015-S-24)
Fiscal Impact	**$2,100,000**
Significance	Several State agencies, such as OASAS, provide services to vulnerable populations through a network of providers that administer certified programs. Through executed contracts, these agencies reimburse providers for program costs. OASAS and other applicable State agencies must provide sufficient oversight to ensure that only program-related expenses are reimbursed by the State.
Issues	• Insufficient contract monitoring of claimed program expenses • Lack of sufficient documentation of program expenses • Claiming non-program expenses for reimbursement

The purpose of this audit, issued on June 8, 2016, was to determine whether OASAS effectively monitored funding provided under its contract with the Puerto Rican Organization to Motivate, Enlighten and Serve Addicts, Inc. (PROMESA) to ensure that claims were allowable, properly supported, and consistent with contract terms. The audit covered the period July 1, 2012 through June 30, 2014.

OASAS entered into a five-year contract with PROMESA, covering the period July 1, 2009 through June 30, 2014, totaling $12.5 million, in part to conduct a Methadone to Abstinence Residential Treatment (MTAR) program. Under the MTAR program, PROMESA was required to administer methadone by prescription, in conjunction with a variety of other rehabilitative assistance that sought to control the physical problems associated with heroin dependence and provide the opportunity for clients to make major lifestyle changes over time. According to the contract, OASAS was to reimburse PROMESA for the net costs it incurred to provide the services for each contracted program, up to the maximum budgeted amount.

Auditors found that, despite two relatively recent audits by OASAS, claims submitted by PROMESA for the two years ended June 30, 2014 included costs that were not valid or consistent with OASAS guidelines. PROMESA reported about $23 million in costs associated with contracted OASAS programs during the period. Auditors examined about $9 million of these expenses and identified problems with over 90 percent, totaling $8.2 million.

About 25 percent of the $8.2 million in expenses ($2.1 million) was clearly unallowable under OASAS and Consolidated Fiscal Report (CFR) guidelines, including $940,493 charged to the State-funded MTAR program. Of this amount, almost $600,000 was "bad debt expense," the majority of which actually represented funds paid to OASAS for audit disallowances it imposed as a result of its most recent audit of PROMESA.

The remaining $6.1 million represented expenses that were deemed questionable, in large part because they either (1) involved related-party transactions for which required competition was not sought, and PROMESA was unable to demonstrate that the costs were reasonable or that the services were actually provided, or (2) represented portions of costs allocated to PROMESA from other entities within its parent company, which were not readily verifiable without also auditing the records of those entities. Over $1.8 million of these questionable costs was charged to the MTAR program.

Auditors recommended that OASAS recover $940,493 in expenses claimed that were not allowable, and formally assess the questionable transactions to determine if additional disallowances of up to $1.8 million charged to the MTAR program were warranted. OASAS agreed with these recommendations, and stated its commitment to following up on the recommendations and obtaining restitution for all non-allowable expenses claimed by PROMESA.

Audit Category	**Procurement and Contract Monitoring – Unallowable Program Expenses**
State Agency	**Office of Mental Health (OMH)**
Government Category	**Health & Human Services**
Audit	Administration of the Contract With the Postgraduate Center for Mental Health (2015-S-88)
Fiscal Impact	**$2,100,000**
Significance	Several State agencies, such as OMH, provide services to vulnerable populations through a network of providers that administer certified programs. Through executed contracts, these agencies reimburse providers for program costs based on reported expenses. OMH and other applicable State agencies must provide sufficient oversight to ensure only program-related expenses are reimbursed by the State.
Issues	• Insufficient contract monitoring of claimed program expenses • Unsupported/inappropriate expenses charged to the program • Claiming non-program expenses for reimbursement

The purpose of this audit, issued December 30, 2016, was to determine whether OMH was effectively administering its supportive housing contract with the Postgraduate Center for Mental Health (PCMH) by ensuring that contracted services were provided and that only appropriate and supported expenses were reimbursed. The audit primarily covered the contract year ended June 30, 2014 and included certain transactions incurred during the prior fiscal year (ended June 30, 2013).

Through its supportive housing program, OMH provides a combination of affordable housing and community-based support services for clients with severe and persistent mental illness. OMH hires independent contractors to operate many of these programs, including PCMH, a not-for-profit entity and one of New York's largest providers of supportive housing services. PCMH assigns clients to private apartments throughout local communities as well as in multiple dwelling units. PCMH is required to file an annual CFR with OMH. At the end of each contract year, OMH reviews the data reported on the CFR for reasonableness, and reconciles the total advance payments to the contract budget and total approved costs claimed on the CFR. PCMH was paid $9.67 million for its supportive housing program during the 2013-14 contract year.

Auditors identified $697,938 in unsupported and/or inappropriate expenses charged to the audited contract and other related OMH contracts, as well as excessive delays in OMH fiscal staff actions to recover apparent overpayments to PCMH. Specifically, during the course of the audit, auditors found OMH had not taken action to recover almost $1.4 million in surplus advances from fiscal years 2011-12 through 2013-14.

To address insufficient oversight of reimbursed expenses, auditors recommended that OMH: recover the $697,938 in inappropriate and unsupported expenses; develop formal time frames for CFR close-outs and recoupments to help ensure that surplus advances, such as the $1.4 million, are accounted for and recovered in a timely manner; and ensure that only program-eligible and properly supported expenses are reimbursed to PCMH.

OMH agreed with the recommendation to recover the $697,938 in inappropriate and unsupported expenses, stating it would review the expenses identified by SGA and recover overpayments where appropriate. However, OMH disagreed with SGA's recommendation to develop more formal time frames for CFR close-outs and recoupments of surplus advances, indicating that it already had established internal controls directing that close-outs should be completed within two years from the end of the contract fiscal year.

SGA's follow-up review (2019-F-51), issued on September 15, 2020, indicated that OMH did not recover any of the inappropriate and unsupported expenses identified in the original report. OMH claimed to have been waiting for a formal resubmission of PCMH's CFRs in order to perform a final reconciliation of the reported expenses with the OMH contract. Once the final reconciliation is completed, OMH said it would recover any remaining funds, including those identified in SGA's audit. Furthermore, OMH did not implement SGA's recommendation to develop formal time frames for CFR close-outs and recoupments to ensure surplus advances are accounted for and recovered in a timely manner. Although OMH has an established time frame of two years to complete CFR close-outs from the end of the contract fiscal year, OMH officials stated this was not a realistic goal, citing CFR submission delays and insufficient staffing levels.

Audit Category	**Procurement and Contract Monitoring – Contract and Discretionary Purchasing**
State Agency	**State University of New York (SUNY) University at Buffalo**
Government Category	**Education**
Audit	Procurement Practices (2018-S-37)
Fiscal Impact	**$895,839**
Significance	New York State invests significant amounts in higher education. For the fiscal year ending March 31, 2022, the State expects to spend $7.5 billion across the SUNY and City University of New York systems, Higher Education Services Corporation, and the State Education Department. Of this amount, $2.9 billion is earmarked for operations at SUNY campuses. The University at Buffalo is one of the largest institutions within the SUNY system, and has expended $958 million in non-personal services over the three-year period ending March 31, 2021.
Issues	• Poor internal controls over procurement and spending • Inadequate contract monitoring • Avoidable maintenance cost for equipment • Lack of documentation and support for purchases

The purpose of this audit, issued on October 3, 2019, was to determine whether procurement and contracting practices at the University at Buffalo (Buffalo) provided sufficient assurance that funds were spent appropriately, in the best interest of the State, and adequately safeguarded against waste and abuse. The audit covered procurement and contracting transactions between April 1, 2016 and September 5, 2018 and subsequent information provided by Buffalo through April 5, 2019.

Specializing in research and medicine, Buffalo serves more than 31,000 students and employs more than 2,500 faculty on its three campuses. In support of its mission, Buffalo spent nearly $330 million in State funds on procurements between April 2016 and September 2018. SUNY System Administration allows SUNY campuses to operate their procurement functions autonomously but issued guidance to ensure goods and services are appropriate, reasonable, and competitively bid.

Auditors found that Buffalo needed to strengthen its internal controls over its procurement process to ensure that State funds are spent appropriately and in the State's best interest. Buffalo's poor monitoring of its spending and contracting practices resulted in lost opportunities for cost savings and cost avoidance, overcharges by vendors, and questionable purchases. Auditors reviewed $8 million in spending and identified a total of $895,839 in cost avoidances, overpayments, or questionable transactions, including: $368,622 in payments to the University at Buffalo Foundation Activities that were outside the scope of Buffalo's agreement, such as personal services for research-related administrative services (including $29,529 for which Buffalo could not provide sufficient support and $24,495 in duplicate services); $338,257 in contract payments for custodial equipment maintenance, including $180,721 in potentially avoidable repair work attributed to a lack of appropriate preventive maintenance due to Buffalo's lack of contract; and $188,960 in procurement costs and non-contractual payments that either lacked support for reasonableness of price, were not allowable per policy, or lacked evidence supporting a business need.

Auditors recommended that Buffalo strengthen its internal controls surrounding its contract monitoring, including: completing an evaluation of the need for administrative research activities; ensuring proper segregation of duties and developing a process for low-bid selection; improving contract monitoring to ensure all custodial equipment is included and preventive maintenance is performed; recovering overcharges as appropriate; and ensuring procurement procedures are followed. Buffalo officials generally agreed with the recommendations and stated that several actions had been taken to strengthen their internal controls.

Capital Investment Planning

Audit Category	**Capital Investment Planning – Budgeting**
State Agency	**New York City Department of Social Services (DSS)**
Government Category	**Housing & Economic Development**
Audit	Controls Over Capital Improvements at City-Owned Homeless Shelters (2018-N-3)
Fiscal Impact	**$9,700,000**
Significance	New York City's Department of Homeless Services (DHS), an administrative unit of DSS, is expected to spend $2.1 billion in fiscal year ended March 31, 2021 for shelter services, administration, and support for homeless adults, families, and street homeless individuals.
Issues	• Lack of policies and procedures • Ineffective project management • Project cost overruns • Project delays

The purpose of this audit, issued on August 25, 2020, was to determine whether DHS had appropriate oversight and adequate controls over the capital improvement process at City-owned homeless shelters. The audit covered the period July 1, 2013 through December 16, 2019.

DHS is the primary agency responsible for providing transitional housing and services for homeless families and individuals in the City, as well as fiscal oversight of the homeless shelters. A number of City homeless shelters have fallen into disrepair, and the City has addressed the need with a significant increase in capital investment to correct conditions that have built up over many years. Such investments include new construction, renovations, and purchases of furnishings or equipment. Projects are prioritized based on safety, stability of the infrastructure, and cosmetic nature of renovations. For City fiscal years 2014 to 2018, DHS had a total of 21 capital improvement contracts with 69 projects totaling about $39 million. Of the 53 City-owned shelters, 30 had capital improvement projects.

Auditors determined that DHS lacked the necessary oversight and monitoring over City-owned homeless shelter capital improvement projects to ensure priority projects were completed as scheduled and within budget. Specifically, DHS did not establish formal policies and procedures tailored to its capital planning process to ensure consistent decision making across all projects, nor did it have strong project monitoring controls to minimize delays and cost overruns. DHS also lacked sufficient documentation of its capital improvement process, undermining the effectiveness of the process and DHS' decision making.

Of nine capital projects reviewed by the auditors, six exceeded their original budgeted cost by a total of $9.7 million — ranging from $202,889 to $2.7 million over budget. For one specific project, the budget was $511,000; however, once completed, its costs totaled $3.2 million. DHS officials attributed the cost overruns to the buildings' ages (between 80 and 120 years old) and the lack of original plans and drawings. During construction, the scope of work expanded to include areas needing immediate attention that were unforeseen prior to the start of work. However, delays in initiating and completing capital improvements may have caused poor conditions to deteriorate even further, possibly resulting in increasing costs. Auditors found that the lack of capital improvement process documentation made it difficult to determine the cause of the time and cost overruns and provided no assurances that DHS was effectively monitoring projects' progress and budget. Auditors recommended that DHS establish written policies and procedures for managing all aspects of the capital improvement process, including capital project planning, and develop and implement a system for tracking progress and costs of capital projects. DHS officials partially agreed, noting they had a system for tracking capital projects, including updates, change orders, and budget actions. However, they agreed that an enhanced tracking system would be helpful and, as part of a planned system upgrade, it would be fully integrated with a new procurement tool under the City Financial Management system.

Conclusion

While government accountability is especially critical in light of the unprecedented fiscal stresses of the pandemic, good stewardship of State resources is essential to an agency's fiscal health and resilience and the sustainability of its programs. It is imperative that, for the long term, State agencies, authorities, NYC agencies, and programs work diligently to identify opportunities for cost reduction and revenue enhancement. SGA plans to continue its work in these areas in its mission to improve government efficiency and transparency and to protect taxpayer assets.

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