

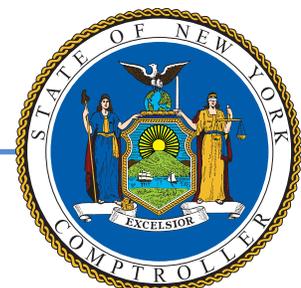
New York City Department of Social Services

New York City Department of Homeless Services – Oversight of Contract Expenditures of Samaritan Daytop Village, Inc.

Report 2022-N-6 | February 2024

**OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller**

Division of State Government Accountability



Audit Highlights

Objective

To determine whether the New York City Department of Homeless Services (DHS) is effectively monitoring its contract with Samaritan Daytop Village, Inc. (Samaritan) to ensure reported costs are allowable, supported, and program related. The audit covered expenses claimed by Samaritan for the fiscal years ended June 30, 2020 and June 30, 2021. In addition, we reviewed limited aspects of DHS' claim expense monitoring for the three fiscal years ended June 30, 2022.

About the Program

DHS, an administrative unit of the New York City Department of Social Services (DSS), is the agency responsible for providing transitional housing and services for eligible homeless families and individuals in New York City (City) and for providing fiscal oversight of the homeless shelters. In July 2013, DHS contracted with Samaritan, a City-based not-for-profit organization, to provide temporary housing, case management, housing referrals, placement services, and on-site medical and mental health services for men with mental illness at their 160-bed Myrtle Avenue Men's Shelter (Myrtle) for the period from August 2013 to June 2018. The original contract for \$30.1 million was renewed and increased during the period July 1, 2018 through June 30, 2022, to an aggregate cost of approximately \$44 million. During the COVID-19 pandemic, per DHS directives, Myrtle operations were moved to an alternative site (in Long Island City) from mid-May 2020 to early July 2021. During the two fiscal years ended June 30, 2021, Samaritan claimed \$15.1 million in reimbursable expenses for the contract.

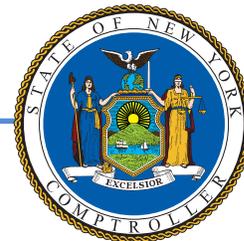
DHS is responsible for monitoring its contract with Samaritan to ensure reported costs are allowable, supported, and program related. To qualify for reimbursement, Samaritan's invoices/expenses must comply with the DHS' Human Service Providers Fiscal Manual (Fiscal Manual), the New York City Health and Human Services Cost Policies and Procedures Manual (Cost Manual), and the Myrtle contract.

Key Findings

DHS is not effectively monitoring its contract with Samaritan to ensure reported costs are allowable, supported, and program related. It is unclear whether DHS completed expenditure reviews. In addition, DHS did not ensure that year-end close-outs were completed in a timely manner. Consequently, for the two fiscal years ended June 30, 2021, we identified \$566,556 that did not comply with the requirements in the Fiscal Manual, Cost Manual, and contract, including: \$235,993 in personal service costs, \$277,662 in other than personal service costs, and \$52,901 in indirect costs.

Key Recommendations

- Review and recover, as appropriate, \$566,556 in reported expenses that were not in compliance with the Fiscal Manual, Cost Manual, and Myrtle contract.
- Ensure that providers comply with the DHS and contractual requirements to retain sufficient documentation to support claimed expenditures.
- Provide training to providers and DHS staff members to ensure that they are aware of the reimbursement requirements.



Office of the New York State Comptroller Division of State Government Accountability

February 6, 2024

Molly Wasow Park
Commissioner
New York City Department of Social Services
150 Greenwich Street, 42nd Floor
New York, NY 10007

Dear Commissioner Park:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage their resources efficiently and effectively. By so doing, it provides accountability for the tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities, and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit entitled *New York City Department of Homeless Services – Oversight of Contract Expenditures of Samaritan Daytop Village, Inc.* 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 III of the General Municipal Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

Division of State Government Accountability

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Glossary of Terms

Term	Description	Identifier
DSS	New York City Department of Social Services	<i>Auditee</i>
Cost Manual	New York City Health and Human Services Cost Policies and Procedures Manual	<i>Policy</i>
DHS	New York City Department of Homeless Services	<i>Auditee</i>
Fiscal Manual	DHS' Human Service Providers Fiscal Manual	<i>Policy</i>
Myrtle	Myrtle Avenue Men's Shelter	<i>Facility</i>
OTPS	Other than personal services	<i>Key Term</i>
Samaritan	Samaritan Daytop Village, Inc.	<i>Service Provider</i>

Background

The New York City Department of Homeless Services (DHS), an administrative unit of the New York City Department of Social Services (DSS), is the agency responsible for providing transitional housing and services for eligible homeless families and individuals in New York City (City) and for providing fiscal oversight of the homeless shelters. During the 2022-23 fiscal year, DHS spent approximately \$3.5 billion to provide transitional housing and services to approximately 66,000 adults and children (20,000 single adults, 5,000 adult families, and 41,000 families with children). DHS contracts with private not-for-profit companies to provide these services in compliance with their contractual terms; State laws; and State, City, and DHS regulations. As of June 2022, 98 private homeless shelter providers contracted with DHS, with contracts totaling \$2.43 billion.

In July 2013, DHS contracted with Samaritan Daytop Village, Inc. (Samaritan), a City-based not-for-profit organization, to provide temporary housing, case management, housing referrals, placement services, and on-site medical services for men with mental illness at their 160-bed Myrtle Avenue Men's Shelter (Myrtle) for the period from August 2013 to June 2018. The original contract for \$30.1 million was renewed and increased during the period July 2018 through June 2022 to an aggregate cost of approximately \$44 million. During the COVID-19 pandemic, per DHS directives, Samaritan moved Myrtle shelter operations to an alternative location (in Long Island City) from May 2020 to July 2021. In addition, when the pandemic began, DHS requested providers track COVID-19 expenses separately, as these expenses were typically beyond initial budgets.

As of October 2022, DHS reported having 20 contracts with Samaritan valued at approximately \$212.3 million, to provide services at 15 men's and five women's transitional homeless shelters, with a service capacity of 2,382. During the three fiscal years ended June 30, 2022, Samaritan operations were funded primarily by government sources.

DHS' Human Service Providers Fiscal Manual (Fiscal Manual) requires providers to submit monthly invoices containing the actual expenses they paid during the month of the invoice. The providers must support these expenses by submitting documentation such as receipts, invoices, and proof of payment. To qualify for reimbursement, the provider's invoices and expenses must comply with the Fiscal Manual, the New York City Health and Human Services Cost Policies and Procedures Manual (Cost Manual), and its respective contract, which provide guidance to homeless service providers on the eligibility of reimbursable costs, the documentation necessary to support these costs, and cost allocation requirements for expenses related to multiple contracts.

During the two fiscal years ended June 30, 2021, Samaritan claimed \$15.1 million in reimbursable expenses for the contract, including \$5.9 million in personal services, \$8.2 million in other than personal services (OTPS), and \$1 million in indirect expenses.

Audit Findings and Recommendations

DHS utilizes the Fiscal Manual, Cost Manual, and contract to oversee Samaritan services provided at Myrtle and ensure that expenses are allowable and documented. Costs are considered for reimbursement provided they are reasonable, necessary, directly related to the program, and sufficiently documented. For the two fiscal years ended June 30, 2021, we identified \$566,556 in reported costs that did not comply with these requirements, indicating that monitoring deficiencies exist. These ineligible expenses include \$235,993 in personal service costs, \$277,662 in OTPS costs, and \$52,901 in indirect costs. (See Exhibit at the end of the report.)

Strong internal controls are critical to the overall health of an organization. These controls help to safeguard assets and ensure reliable financial reporting and compliance with regulatory requirements. We attributed the recommended recoveries, in part, to inadequate oversight by DHS.

Personal Service Costs

According to the Cost Manual, personal services include all compensation, such as wages and salaries paid currently or accrued for services the provider's employees rendered during the contract term. The Fiscal Manual, Cost Manual, and Myrtle contract require expenditures claimed be supported, appropriate, necessary, and directly related to services under the Myrtle contract. Expenses must also be reasonable for the services provided and comply with the provider's established written policy or, in the absence of a written policy, established standard operating practices. The Myrtle contract states that Samaritan shall maintain proper and sufficient evidence, vouchers, bills, and receipts showing the propriety and necessity of all expenditures. Expenses not incurred in the performance of the service program are not allowable. In addition, the Fiscal Manual requires that Samaritan maintain all supporting documentation such as payroll ledgers, labor distribution reports, and time records.

During the two fiscal years ended June 30, 2021, Samaritan reported approximately \$5.9 million in Myrtle's personal service costs. We identified \$235,993 in costs that did not comply with the Fiscal Manual, Cost Manual, and/or contract.

Excessive Hours Claimed

During fiscal year 2020-21, 22 of Myrtle's 65 employees worked at both Myrtle and other shelters operated by Samaritan. We compared the hours worked for Myrtle per the respective Timecard Report (report of employee time worked) for these employees to the claimed hours as supported by Myrtle's payroll registers. Of the 22 employees, we found 14 whose claimed hours per the payroll registers exceeded the hours shown on their Timecard Reports. Similarly, in fiscal year 2019-20, we found overclaimed hours for 27 of the total 75 Myrtle employees, including employees who were only claimed by Myrtle. In total, we determined that Samaritan overclaimed \$165,599 in compensation for these employees for the two fiscal years.

DHS officials disagreed with our findings for fiscal year 2020-21. They claimed that the hours worked, which were reported under a different department code other than

Myrtle, represented hours worked at Myrtle's alternative COVID-19 location and, therefore, should be included in the calculation of total hours worked on behalf of Myrtle. However, we noted that this department code represented another shelter and not the Myrtle alternative site in Long Island City. DHS officials did not provide documentation to show that the employees whose time was reported under this department code benefited the Myrtle contract for the hours claimed.

We recommend that DHS recover \$165,599 (\$134,082 in salaries and \$31,517 in related fringe benefits) in costs that did not comply with the written guidance in the Fiscal Manual, Cost Manual, and contract.

COVID-19 Coverage

During the COVID-19 pandemic, Samaritan assigned some Myrtle employees to cover for sick staff at other shelters. In these situations, the employee's supervisor would note on payroll registers the hours these employees provided "COVID coverage." For fiscal year 2020-21, Myrtle claimed \$13,380 in salary expenses for six employees who provided COVID coverage at other Samaritan shelters. Similarly, for fiscal year 2019-20, Myrtle claimed \$18,069 in salary expenses for five employees who provided COVID coverage at other Samaritan shelters. These expenses should have been claimed by the shelters that benefited from the additional staffing.

DHS officials disagreed with the findings amount for fiscal year 2020-21. However, they did not provide support that these employees did, in fact, work for the benefit of the Myrtle contract for the hours claimed.

We recommend that DHS recover \$38,961 (\$31,449 in salaries and \$7,512 in related fringe benefits) in compensation expenses not related to the Myrtle contract.

Unsupported Allocations

The Cost Manual states that claimed costs must be reasonable and necessary for the performance of the contract and adequately documented. The Myrtle contract requires that Samaritan accurately and equitably allocate costs attributable to the operation of two or more programs. DHS has the right to require and approve a cost allocation methodology that fairly and accurately reflects the actual allocable share of such cost. The Fiscal Manual prescribes that cost allocation methodologies used must be reasonable, consistent, and auditable. The Fiscal Manual suggests two allocation methods to providers for allocating personal service expenses; a provider may use an alternate method if it meets the above requirements. The provider could either analyze every time sheet for a year or select a sample, which involves analyzing two or three weeks of time sheets once a quarter, noting which hours each day the employee works on which projects, using the same time ratio throughout the year. Also, for all allocated expenses, the provider must specify the allocation methodology used and indicate the method used on the Allocation Methodology Worksheet.

In fiscal year 2020-21, Samaritan allocated \$17,828 in salary expenses to Myrtle for two Samaritan executives: the Assistant Vice President of Transitional Housing

and the Director of Security. While the Allocation Methodology Worksheet prepared by Samaritan contained allocation percentages based on the annual hours worked by these employees at Myrtle and the employees' total annual hours, there was no support for how these hours were determined. Also, Samaritan officials did not perform a time sheet analysis to support the allocated hours. While DHS reviewed the Allocation Methodology Worksheet, DHS did not review any supporting documentation for the worksheet.

DHS disagreed with our findings, asserting that the Assistant Vice President of Transitional Housing position was approved by the New York City Office of Management and Budget and Samaritan's contracts were subsequently amended to add the position and funding. However, we did not question the need for the position, but rather we cited the unsupported allocation methodology. DHS subsequently provided allocation formulas for the two employees, but these methodologies were not consistent or supported, as one employee's allocations were based on available beds and the other employee's allocation was based on the number of shelters served. However, the bed allocation was not consistently calculated (facilities did not receive the same bed allocation ratio) and there was no support for which shelters were overseen by the other employee. DHS officials responded that they would work with Samaritan to submit an acceptable allocation methodology.

We recommend that DHS recover \$21,896 (\$17,828 in salaries and \$4,068 in related fringe benefits) in unsupported allocations.

COLA Retroactive Pay

During fiscal year 2019-20, DHS approved a 2% Cost-of-Living Allowance (COLA) increase for Myrtle employees, effective July 1, 2019. Samaritan generated a retroactive payment of \$37,276 for 46 employees on June 29, 2020, and an increase in their annual pay. We obtained payroll data showing the hours worked for these employees and their respective pay rates. We then calculated the COLA amounts that should have been paid to each employee and found that 17 employees were overpaid a total of \$7,650.

We recommend that DHS recover \$9,537 (\$7,650 in salaries and in \$1,887 related fringe benefits) for overpaid COLA retroactive payments.

Other Than Personal Service Costs

OTPS includes expenses other than salaries and fringe benefits, such as supplies, equipment, utilities, and contractual services. The Fiscal Manual, Cost Manual, and contract require that claimed expenditures be supported, appropriate, necessary, and directly related to services under the Myrtle contract. Supporting documentation can include proof of payment, invoices, service contracts, approved allocation methodologies, inventory records, and insurance policies. For the two fiscal years ended June 30, 2021, Samaritan reported \$8.17 million in OTPS expenses for the Myrtle contract. To determine whether these expenses complied with the Fiscal Manual, Cost Manual, and contract, we judgmentally selected four samples of OTPS

expenses totaling approximately \$1.5 million. We identified \$277,662 in OTPS costs that were not in compliance with the Fiscal Manual, Cost Manual, and contract requirements.

Inadequately Supported Expenses

The Fiscal Manual, Cost Manual, and Myrtle contract require expenditures claimed be supported, appropriate, necessary, and directly related to services under the Myrtle contract. The contract states that the contractor shall retain proper and sufficient bills, vouchers, duplicate records, and documentation for any payments, expenditures, or refunds made to or received by the contractor in connection with the agreement. In addition, the contract requires Samaritan to document its cost allocation methodology so that it fairly and accurately reflects the actual allocable share of expenses attributable to the operation of two or more programs. The Fiscal Manual further stipulates that DHS reserves the right to withhold or recoup any payments to the provider for allocated costs in the event that DHS determines that the cost allocation plan is unsatisfactory or that such allocated costs have been incorrectly determined, are not allowable, or are not properly allocable pursuant to the contract.

To determine whether Samaritan complied with the requirements for reimbursement, we selected four judgmental samples, totaling approximately \$1.5 million, for the two fiscal years ended June 30, 2021. We reviewed Samaritan's general ledgers, invoices, allocation methodologies, and underlying records and identified \$152,655 in expenses that were not adequately supported, as follows:

- \$105,779 in security expenses that included \$48,667 for which supporting time records were not provided and \$57,112 for which the time records did not support the claimed invoices.
- \$15,555 in insurance expenses for which no documentation was provided to support this expense.
- \$11,938 for an "expense inventory" expense. Samaritan officials did not provide any support such as disbursements, invoices, or receipts to explain the nature of this expense.
- \$7,230 in software (\$5,320) and software supplies (\$1,910) not fully supported with an allocation basis or a supporting invoice.
- \$3,937 in accounting costs for which the basis for allocating these costs to the Myrtle contract was not provided.
- \$3,530 in telephone expenses for which the allocation basis was not provided.
- \$2,542 in staff training for which the allocation basis as well as documentation of who attended were not provided.
- \$929 in office supplies, including \$361 in office supplies for which the allocation basis was not provided and \$568 for a printer shipped to Samaritan's headquarters with no support indicating that it was purchased for Myrtle.

-
- \$862 in utilities expenses, including \$704 in electricity and \$158 in gas. No documentation was provided for these expenses.
 - \$193 in motor vehicle fees, which lacked support that these expenses were related to the Myrtle contract.
 - \$160 in other miscellaneous expenses, including \$157 in client translation services for which the allocation basis was not provided and \$3 for an unsupported MetroCard expense.

We recommend that DHS recover \$152,655 in expenses that were not in compliance with the Fiscal Manual, Cost Manual, and Myrtle contract.

Non-Allowable Expenses

According to the Cost Manual, claimed costs must be adequately documented, conform to any contractual limitations or exclusions, be reasonable and necessary for the performance of the contract, and be consistent with Generally Accepted Accounting Principles. The Fiscal Manual states that providers may only invoice for actual services or goods delivered within the fiscal year. It also prescribes methodologies for allocating shared expenses among programs and requires the providers to specify and obtain approval for the method used. The methodologies must be reasonable, consistent, and auditable. The Fiscal Manual also identifies non-allowable expenses including, but not limited to, fines, penalties, personal expenses, and membership dues.

To determine whether Samaritan complied with the Fiscal and Cost Manuals, we reviewed the previously noted four judgmental samples totaling approximately \$1.5 million. Our review of general ledgers, invoices, allocation methodologies, and underlying records identified \$125,007 in expenses that were not in compliance with the Fiscal and Cost Manuals, as follows:

- \$48,998 in office furniture claimed in fiscal year 2020-21 but ordered and delivered in fiscal year 2019-20.
- \$36,167 in duplicate contracted security expenses, claimed as both non-COVID and COVID expenses.
- \$28,367 in expenses that were reported in the incorrect fiscal year, including \$9,609 for contracted air conditioning, \$8,356 for office supplies, \$4,223 for catered meal expenses, \$2,448 for fire alarm and security systems contract costs, \$1,094 for MetroCards, \$1,093 for a repairs and maintenance annual contract, \$672 for security equipment maintenance, \$633 for contracted HVAC services, \$120 for medical waste disposal, \$80 for the cost of interpretation services, and \$39 for interfacility travel.
- \$4,652 in utilities (\$4,192 in electricity and \$460 in gas). The expenses were for another shelter.
- \$3,230 in legal services related to summonses and penalties (of which \$475 was for a shelter other than Myrtle).
- \$2,200 for a maintenance contract for a non-program-related copier.

- \$806 in non-allowable membership dues to an organization servicing homeless adults and families.
- \$320 in fire safety services at an unrelated building.
- \$207 in phone and email allowances. According to Samaritan officials, the phone and email allowances were for staff reimbursement for using personal phones for work purposes and were based on the cost of cell phone service at the time. However, according to the Fiscal Manual, personal expenses are not allowable. In addition, Samaritan did not provide support for this cost.
- \$60 in insurance costs claimed in fiscal year 2020-21, which covered a day from the prior fiscal year. Samaritan officials advised that this expense is incurred annually, and a journal entry was not prepared to accrue the one day's expense.

We recommend that DHS recover \$125,007 in expenses that were not in compliance with the Fiscal Manual and Cost Manual.

Indirect Costs

Indirect costs are based on fixed rates applied to direct costs claimed. The Fiscal Manual permits service providers to claim a fixed percentage of the total direct expenses, except rent and real estate taxes, as an indirect cost. Consequently, any direct expense disallowed results in an indirect expense disallowance. For both fiscal years 2019-20 and 2020-21, Samaritan claimed a 10% indirect cost rate.

We determined that \$52,901 in indirect expenses should be recovered due to the non-allowable charges identified in our report and the associated indirect rate for the two fiscal years ended June 30, 2021 (see Table 1). Included in this amount are \$1,535 in indirect costs that were incorrectly calculated by Samaritan in fiscal year 2020-21.

Table 1 – Indirect Costs for the Two Fiscal Years Ended June 30, 2021

Fiscal Year	Non-Reimbursable Personal Service and OTPS Costs	Indirect Rate	Disallowed Indirect Costs
2019-20	\$120,830	10%	\$12,083
2020-21	392,825	10%	40,818*
Totals	\$513,655		\$52,901

*Includes \$1,535 for Samaritan's incorrect fiscal year 2020-21 indirect cost methodology

DHS Oversight of Provider Contract Compliance

DHS is responsible for monitoring the fiscal activities of all DHS-funded providers to ensure that government resources are used only for expenses that are allowable, supported, and program appropriate. The Fiscal and Cost Manuals and Samaritan's contract require the provider to maintain proper and sufficient evidence, including vouchers, bills, and receipts, showing the propriety and necessity of all expenditures claimed in the monthly invoices. The Fiscal Manual also outlines important oversight

tasks for DHS to ensure providers are in compliance with their obligations. These tasks include provider expenditure reviews and timely close-out of year-end expenses.

We determined that DHS did not adequately monitor Samaritan's fiscal activities and that DHS' internal controls were not sufficient to detect unsupported and non-allowable expenses claimed by Samaritan and to prevent paying for these expenses.

DHS Expenditure Reviews

To ensure that claimed expenses are appropriate, the Fiscal Manual states that "each contract is assigned to a DHS Program Analyst and Program Administrator who review and approve submitted invoices for personnel and OTPS expenditures."

DHS provided its Invoice Tracker Form, which documents its invoice reviews, for fiscal year 2019-20 and 2021-22 expenses. However, we did not test the 2021-22 Invoice Tracker Form because we received it after fieldwork testing concluded. Additionally, DHS did not provide an Invoice Tracker Form for its review of fiscal year 2020-21. It is unclear whether reviews were completed for the Myrtle contract in that fiscal year. DHS officials explained that the individual responsible for these reviews had retired.

We reviewed the 2019-20 Invoice Tracker Form, which indicated that 32 expense items were reviewed. Of the 32 items reviewed, 26 items had no indication as to whether their review outcome was satisfactory or unsatisfactory, as required by the form. Two items were shown as unsatisfactory with corrective action, but no corrective action details were provided in the narrative. Furthermore, while our review of the supporting invoice for a \$296 electricity expense claimed for October 2019 indicated the expense was incurred for a different shelter, and thus was non-program related, the analyst's review of this expense did not detect this issue.

Moreover, we noted that in both fiscal years 2019-20 and 2020-21, DHS approved an in-house psychiatrist position for Myrtle. Due to difficulties in hiring psychiatrists, Samaritan used a contracted temporary psychiatry service. According to the Fiscal Manual, contracted temporary services are to be claimed as an OTPS expense. However, Samaritan claimed these costs, totaling \$150,426 (\$72,034 in 2019-20 and \$78,392 in 2020-21), as personal service expenses. DHS' monitoring did not identify this error. In response to our inquiry, DHS officials determined that this was an error on the part of Samaritan.

Invoice reviews are necessary to ensure that they accurately reflect expenses in accordance with the approved budget and are appropriate for reimbursement. We recommend DHS ensure that the invoice reviews are adequately completed.

Year-End Close-Outs

The Fiscal Manual requires providers, such as Samaritan, “to submit a final close-out invoice to reflect their spending for the fiscal year. If needed, the provider must submit a final budget modification. Once approved, providers should submit their final invoice against that approved budget.” It adds that the final budget modification must be submitted no later than September 1 or the next business day if September 1 falls on a weekend, and the final close-out invoice must be submitted within 3 to 5 business days after the modification is approved. Delays in submitting the close-out invoice may result in delays in payments for the following fiscal year. We found the 2021-22 fiscal year close-out invoice was still outstanding, and the 2019-20 and 2020-21 close-out invoices were not timely (see Table 2).

Table 2 – Close-Out Invoice Submissions

Fiscal Year	Close-Out Invoice Submitted	Close-Out Submission Business Days Late
2019-20	March 3, 2021	116 days
2020-21	January 18, 2022	88 days
2021-22	Not submitted	254 days*

*As of September 18, 2023

It is imperative that DHS ensure providers submit a timely close-out of the fiscal year in order to improve the quality of the DHS reviews and reduce problems associated with recovery of overpayments.

Recommendations

1. Review and recover, as appropriate, \$566,556 in reported expenses that were not in compliance with the Fiscal Manual, Cost Manual, and the Myrtle contract.
2. Ensure that providers comply with the DHS and contractual requirements to retain sufficient documentation to support claimed expenses.
3. Review and approve all provider allocation methodologies.
4. Comply with existing internal policies and complete detailed expenditure reviews.
5. Ensure that annual close-out invoices are submitted timely.
6. Provide training to providers and DHS staff members to ensure that they are aware of the reimbursement requirements.

Audit Scope, Objective, and Methodology

The objective of our audit was to determine whether DHS is effectively monitoring its contract with Samaritan to ensure reported costs are allowable, supported, and program related. The audit covered expenses claimed by Samaritan for the fiscal years ended June 30, 2020 and June 30, 2021. In addition, we reviewed limited aspects of DHS' claim expense monitoring for the three fiscal years ended June 30, 2022.

To accomplish our objective and assess the related internal controls related to DHS' monitoring of expenses reported by Samaritan, we reviewed the Fiscal and Cost Manuals effective during the audit period and the Myrtle contract. We interviewed key DHS and Samaritan personnel to understand DHS' and Samaritan's financial practices. In addition, we evaluated the internal controls over the costs claimed on the expenditure reports. To determine whether DHS staff complied with the Myrtle contract and the Cost and Fiscal Manuals, we reconciled the year-end fiscal reports with Samaritan/Myrtle invoices and payrolls. We reviewed all claimed salaries for fiscal years 2019-20 and 2020-21 to identify instances where employees worked for more than one shelter, provided COVID coverage, and received COLA increases. We also identified two senior employees whose salaries were allocated across multiple Samaritan programs in addition to Myrtle. Additionally, we reviewed all claimed employees in fiscal year 2019-20 to determine whether claimed expenses were supported.

We used a non-statistical sampling approach to provide conclusions on our audit objective and to test internal controls and compliance. We selected judgmental samples. However, because we used a non-statistical sampling approach for our tests, we cannot project the results to the respective populations. Our samples, which are discussed in detail in the body of our report, include four judgmental samples of OTPS expenses that we examined against documentation maintained by Samaritan to test whether the amounts claimed were reasonable, appropriate, and reimbursable:

- A judgmental sample of \$864,774 of \$3,438,471 in non-COVID-related OTPS expenses for fiscal year 2020-21, based on the dollar amounts claimed by expense category.
- An additional judgmental sample of \$68,771 of \$3,438,471 in non-COVID-related OTPS expenses for fiscal year 2020-21, based on risk factors identified, such as unsupported allocation methodology, insufficient supporting documentation, and non-allowable expenses.
- A judgmental sample of \$464,324 of \$868,499 in COVID-related OTPS expenses for fiscal year 2020-21, based on the dollar amounts claimed by expense category.
- A judgmental sample of \$72,062 of \$3,863,726 in OTPS expenses for fiscal year 2019-20, based on the same risk factors identified in fiscal year 2020-21.

We obtained data from DHS and Samaritan financial systems and from ADP (which processes payroll for Samaritan). We assessed the reliability of that data by reviewing existing information, interviewing officials knowledgeable about the system,

and tracing to and from source data. We determined that the data obtained from these systems was sufficiently reliable for the purposes of this report. Certain other data in our report was used to provide background information. Data that we used for this purpose was obtained from the best available sources. Generally accepted government auditing standards do not require us to complete a data reliability assessment for data used for this purpose.

Statutory Requirements

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 III of the General Municipal Law.

We conducted our performance audit in accordance with generally accepted government auditing standards. These 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 during our audit provides a reasonable basis for our findings and conclusions based on our audit objective.

As is our practice, we notified DHS officials at the outset of the audit that we would be requesting a representation letter in which DHS management provides assurances, to the best of their knowledge, concerning the relevance, accuracy, and competence of the evidence provided to the auditors during the course of the audit. The representation letter is intended to confirm oral representations made to the auditors and to reduce the likelihood of misunderstandings. In this letter, officials assert that, to the best of their knowledge, all relevant financial and programmatic records and related data have been provided to the auditors. DHS officials further affirm either that the entities have complied with all laws, rules, and regulations applicable to their operations that would have a significant effect on the operating practices being audited, or that any exceptions have been disclosed to the auditors. However, DHS has not provided a representation letter in connection with this audit. Further, officials at DHS advised us that the New York City Mayor's Office of Operations has informed them that, as a matter of policy, mayoral agency officials do not provide representation letters in connection with our audits. As a result, we lack assurance from DHS officials that all relevant information was provided to us during the audit.

Reporting Requirements

We provided a draft copy of this report to DSS officials for their review and formal comment. Their comments were considered in preparing this final report and are included in their entirety at the end of it. In their response, DSS officials generally disagreed with most of our recommendations but partially agreed with others and indicated certain actions will be taken. We address certain remarks in our State Comptroller's Comments, which are embedded within DSS' response. (Along with the response, DSS attached its Standard Health and Human Service Invoice Review Policy. This document is not reproduced here and instead has been retained on file at the Office of the New York State Comptroller.)

Within 180 days after the final release of this report, we request that the Commissioner of the New York City Department of Social Services report to the State Comptroller, advising what steps were taken to implement the recommendations contained in this report, and if the recommendations were not implemented, the reasons why.

Exhibit

**DHS Oversight of Contract Expenditures – Samaritan Daytop Village, Inc.
Recommended Cost Recoveries
Two Fiscal Years July 1, 2019 Through June 30, 2021**

Recommended Cost Recoveries	2019-20	2020-21	Totals
Personal Services	\$94,015	\$141,978	\$235,993
Other Than Personal Services	26,815	250,847	277,662
Indirect Expenses	12,083	40,818	52,901
Total Recommended Cost Recoveries	\$132,913	\$433,643	\$566,556

Agency Comments and State Comptroller's Comments



**Department of
Social Services**

Human Resources
Administration

Department of
Homeless Services

W-2-548
Rev. 05/23

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December 15, 2023

Mr. David Schaeffer
NYS Office of the State Comptroller
59 Maiden Lane, 21st Floor
New York, NY 10038

Re: Agency Response to the Draft Audit Report of the NYC Department of Homeless Services – Oversight of Contract Expenditures of Samaritan Daytop Village, Inc. (2022-N-6)

Dear Mr. Shaeffer,

We have received the draft report for the Office of the State Comptroller (OSC) Audit of the Department of Homeless Services (DHS) Oversight of Contract Expenditures of Samaritan Daytop Village, Inc. (2022-N-6).

Please find enclosed our agency response in the form of a corrective action plan which identifies the actions already taken as well as those that will be taken in accordance with the plan to address the recommendations noted in the report.

It is important to note that the Agency continues to ensure compliance with existing internal policies and completing expenditure reviews by following the current Mayor's Office of Contract Services (MOCS) Invoice Review Policy, dated December 9, 2020. This policy establishes a standard approach for reviewing and approving invoices submitted for payment by vendors and limits the number of line items to be sampled after payment. The policy also states that "A standard review will not include more than 1-2 selections per invoice service period."

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State Comptroller's Comment – We stand by our conclusion that DHS did not ensure compliance with existing internal policies and expenditure reviews. Although the updated policy states a standard review will only include 1-2 line items per invoice, the policy also acknowledges that additional expenses can be selected when there is a lack of support for expenses or other material findings. Moreover, a claimed expense we sampled from the 2019-20 fiscal year was also reviewed by DHS; however, DHS did not identify that this expense was actually incurred by a different shelter.

Additionally, we note that DHS regularly monitors provider compliance with documentation requirements and other contractual obligations, including through the use of third-party auditing firms.

State Comptroller's Comment – Our audit concluded that DHS did not adequately monitor provider compliance and its internal controls were not sufficient to detect unsupported expenses claimed by Samaritan.

DHS remains committed to its mission of serving New York City's most vulnerable population in the most efficient and effective manner, while adhering to all applicable rules, regulations, and laws by which we are bound. We would like to express our appreciation for the efforts that your office has invested in this audit to assist us in achieving our goals.

We are confident that our response to this audit demonstrates the Agency's commitment to continually improving our operations. Should you have any questions regarding the enclosed, please contact Victoria Arzu, Executive Director of the DSS External Audit Facilitation Team (EAFT) at 929-221-7067.

We thank OSC for your partnership as we continue our critical mission.

Yours sincerely,

Christine Maloney

Christine Maloney
Deputy Commissioner, Office of Audit & Quality Assurance Services

Enclosures

NYC DEPARTMENT OF SOCIAL SERVICES
OFFICE OF AUDIT SERVICES
CORRECTIVE ACTION PLAN

Audit Name: OSC Samaritan Daytop Village
Audit Number: 2022-N-6

Date: 12-15-2023

Auditor's Recommendations	Agency Response	Responsible Unit	Agency Corrective Action	Target Date
<p>Recommendation 1:</p> <p>Review and recover, as appropriate, \$566,556 in reported expenses that were not in compliance with the Fiscal Manual, Cost Manual, and the Myrtle contract.</p>	<p>Partially Agree</p> <p>The Agency will complete a review and recover, as appropriate.</p>	<p>DHS Adults DSS Finance</p>	<p>Review and recoup accordingly. Samaritan Daytop Village, Inc. submitted additional supporting documents which need to be reviewed. DSS will pursue recoupment of anything not substantiated.</p>	<p>June 2024</p>
<p>Recommendation 2:</p> <p>Ensure that providers comply with the DHS and contractual requirements to retain sufficient documentation to support claimed expenses.</p>	<p>Disagree with explanation</p> <p>DHS monitors provider compliance, during regular course of business, with documentation requirements and other contractual obligations, including through use of third-party auditing firms.</p> <p>State Comptroller's Comment – Our audit concluded that DHS did not adequately monitor provider compliance and its internal controls were not sufficient to detect unsupported expenses claimed by Samaritan.</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>

**NYC DEPARTMENT OF SOCIAL SERVICES
OFFICE OF AUDIT SERVICES
CORRECTIVE ACTION PLAN**

**Audit Name: OSC Samaritan Daytop Village
Audit Number: 2022-N-6**

Date: 12-15-2023

Auditor's Recommendations	Agency Response	Responsible Unit	Agency Corrective Action	Target Date
<p>Recommendation 3: Review and approve all provider allocation methodologies.</p>	<p>Partially Agree with explanation The DHS Fiscal Manual details acceptable allocation methodologies for various expenses and includes detailed examples. The Fiscal Manual also notes that if a provider wants to deviate from the previously approved allocation methodology, it must first obtain prior approval from DHS. DHS reviews all allocations as part of the annual budget submission. In addition, on September 20, 2023, DHS rolled out the allocation methodology web-based training, which is open to all DHS providers. DHS will ensure Samaritan Daytop Village completes this training. State Comptroller's Comment – As stated on page 8 of our report, although DHS reviewed the allocation methodologies for two executive employees, the methodologies were not consistent or supported.</p>	<p>DHS Office of Program Development & Implementation</p>	<p>Allocation methodology script and training module were implemented. DHS will ensure Samaritan Daytop Village, Inc. staff complete the web-based allocation training.</p>	<p>Completed January 2024</p>
<p>Recommendation 4: Comply with existing internal policies and complete detailed expenditure reviews.</p>	<p>Disagree with explanation DHS assesses compliance with policies and invoice review procedures as part of regular business. As is the case with documentation requirements, compliance with internal policies and expenditure review standards is critical but must be evaluated based on the rules in place during the period covered by the review. Based on the review process in place at the time, which consisted of the review of three invoice line items as per the Mayor's Office of Contract Services (MOCS) Invoice</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>

NYC DEPARTMENT OF SOCIAL SERVICES
OFFICE OF AUDIT SERVICES
CORRECTIVE ACTION PLAN

Audit Name: OSC Samaritan Daytop Village
Audit Number: 2022-N-6

Date: 12-15-2023

Auditor's Recommendations	Agency Response	Responsible Unit	Agency Corrective Action	Target Date
	<p>Review Policy, some deficiencies might not have been identified. See reattached DSS Policy Bulletin #2020-009 for reference.*</p> <p>The Agency will ensure that both the program and the provider staff attend refresher invoice review training.</p> <p>Additionally, beginning in the Summer of 2023, MOCS rolled out the new payment structure system training through PASSPort Financials, which is available to all providers.</p> <p>State Comptroller's Comment – We stand by our conclusion that DHS did not ensure compliance with existing internal policies and expenditure reviews. Although the updated policy states a standard review will only include 1-2 line items per invoice, the policy also acknowledges that additional expenses can be selected when there is a lack of support for expenses or other material findings. Moreover, a claimed expense we sampled from the 2019-20 fiscal year was also reviewed by DHS; however, DHS did not identify that this expense was actually incurred by a different shelter.</p> <p>* Document saved in OSC files, available upon request.</p>			

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Auditor's Recommendations	Agency Response	Responsible Unit	Agency Corrective Action	Target Date
<p>Recommendation 5: Ensure that annual close-out invoices are submitted timely.</p>	<p>Disagree with explanation DHS amended Samaritan Daytop Village, Inc.'s (SDVI) Myrtle Ave. contract #20190002956 for FY19, FY20, FY21 and FY22. Further, due to the increased number of amendments received during the pandemic years, there was a delay in amendment registration. When possible, smaller value amendments are combined with much larger value renewal and extension actions to minimize the delay of large amounts of money to the provider. The provider could not close-out the budget and submit invoices until the amendments were registered. These amendments were for:</p> <ul style="list-style-type: none"> • FY19 – Model budget amendment • FY20 – Amended contract for the Relocation Hotel in response to COVID • FY21 – Amended contract for the Relocation Hotel extension • FY22 – Amended contract for Prevailing Wage <p>State Comptroller's Comment – Timely close-outs are critical for effective oversight. As stated on page 13 of our report, the 2021-22 fiscal year close-out invoice was still outstanding as of September 2023.</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>

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Auditor's Recommendations	Agency Response	Responsible Unit	Agency Corrective Action	Target Date
<p>Recommendation 6:</p> <p>Provide training to providers and DHS staff members to ensure that they are aware of the reimbursement requirements.</p>	<p>Disagree with explanation</p> <p>MOCS distributed the Standard Invoice Review Procedure to all providers in December of 2020. DHS has since developed a detailed training course based on MOCS' guidance that is available to provider staff. All appropriate DHS and Samaritan staff have been trained.</p> <p>Additionally, beginning in the Summer of 2023, MOCS rolled out the new payment structure system training through PASSPort Financials, which is available to all providers.</p> <p>State Comptroller's Comment – Our audit identified instances where DHS staff and the provider did not comply with DHS' policies and procedures for reimbursement. Ongoing and/or mandatory training can help ensure that providers and DHS staff members are aware of reimbursement requirements, especially if policies and procedures aren't being adhered to after training was conducted.</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>

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