



**Department of
Social Services**

Human Resources
Administration

Department of
Homeless Services

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DSS Accountability Office

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August 13, 2025

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

Re: Agency Response to the Office of the State Comptroller's (OSC) Follow Up Audit Report of the NYC Department of Homeless Services' (DHS) Oversight of Contract Expenditures of Bowery Residents' Committee (BRC). (2024-F-38)

Dear Mr. Gillooly,

We have received the Office of the State Comptroller's (OSC) Follow Up Audit Report of the Department of Homeless Services (DHS) Oversight of Contract Expenditures of Bowery Residents' Committee (BRC) (2024-F-38). The purpose of the follow up audit was to determine whether the Agency implemented recommendations contained in OSC's initial audit report from 2019 (2019-N-8).

Please find enclosed our Agency response in the form of a Corrective Action Plan (CAP) which identifies the actions already taken as well as those that will be taken to address the recommendations noted in the report.

There were a total of eleven recommendations in the initial 2019 audit report. Upon review of supporting documentation provided by the Agency during the follow up audit, OSC determined that two recommendations were fully implemented, seven were partially implemented, and two were not implemented.

The Agency appreciates the time and attention provided by OSC to its officials in going over the details of every recommendation. However, DHS disagrees with five of nine recommendations that OSC considers either partially implemented or not implemented.

Specifically, for the two recommendations that OSC deemed “not implemented”, please note the following.

Recommendation 2:

Investigate and recover the costs associated with front door supervisory hours, as appropriate.

The Agency disagrees with OSC that this recommendation was not implemented. DHS provided OSC with screenshots from BRC’s payroll company ADP, which showed detailed records for the Jack Ryan Residence shelter supervisors for the audit years of 2017 – 2019. OSC did not notify the Agency that this documentation did not satisfy their request. Nevertheless, DHS reaffirms that it reviewed the hours associated with front door supervisors and that it did not need to recover associated costs from BRC.

Recommendation 9:

Complete year-end closeouts on time.

DHS partially agrees with this recommendation but notes that although timely budget closeouts are an Agency priority, they are not fully within the Agency control. There are functions that require OMB approval in order to close out budgets that may also require amendments, which can also add time to the approval process. Despite these challenges, the Agency continues to emphasize the importance of timely budget closeouts by regularly sending reminders to providers, examples of which were previously shared with OSC.

Please refer to the enclosed Corrective Action Plan (CAP) for additional details on all recommendations that were deemed by OSC as either “not implemented” or “partially implemented.”

We are confident that our response to this follow up audit demonstrates the Agency’s commitment to continually improving its 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,

Bedros L. Boodanian

Bedros L. Boodanian
DSS Chief Accountability Officer

Enclosures

NYC DEPARTMENT OF SOCIAL SERVICES
OFFICE OF AUDIT SERVICES

Audit Name: Follow Up Audit of DHS Oversight of Contract Expenditures of Bowery Residents’ Committee (BRC) – Agency Response to Final Report

Audit Number: 2024-F-38

Date: 8/13/2025

Recommendations	Agency Response to 2019-N-8 Audit	OSC Summary Conclusions and Status of Audit Recommendations	Agency Response
<p>Recommendation 1:</p> <p>Review and recover, as appropriate, \$1,428,199 in reported expenses that were not in compliance with the Fiscal Manual, Cost Manual, and JRR contract.</p>	<p>Disagree</p> <p>The allocation does not take into account the square footage allocation referenced by BRC. BRC has provided DHS with calculations that allocate space differently. Additionally, OSC did not take into account documentation that was provided by BRC as it relates to staff. The methodology provided by BRC is a reasonable approach to allocation and would reduce the disallowance.</p> <p>Additionally, the \$1.45 million includes recoveries that BRC would need to retroactively charge other DHS programs in the building.</p> <p>DHS will complete an analysis to determine a revised recovery amount that considers the above two concerns.</p> <p>Agency Corrective Action: N/A</p>	<p>Status – Partially Implemented</p> <p>Agency Action – Following the initial audit, DHS met with BRC and collected documentation pertaining to the \$1,428,199 in reported expenses that were not in compliance with the Fiscal manual. Cost Manual, and JRR contract. Based on their post-audit work and analysis, DHS recovered \$535,453 (37%).</p> <p>Officials explained that their analysis showed that much of the JRR contract expense overallocations noted in the initial audit report were offset by corresponding underallocations to other DHS-funded programs operated by BRC. Therefore, they</p>	<p>Disagree</p> <p>DHS considers this recommendation implemented and disagrees with OSC’s statement that “[b]ased on their post-audit work and analysis, DHS recovered... 37%” of disallowed expenses.</p> <p>Citing 37% as the total amount of disallowances recouped by DHS is misleading. The Agency conducted multiple meetings with the Bowery Residents’ Committee (BRC) officials and collected additional supporting documents, which may have been missed by OSC during their initial audit. Based on the review of these documents, DHS recouped only those funds from BRC, for which supporting documents remained unavailable as well as the unallowable expenses that should not have been charged to the Agency. This amounted to \$535,453, which DHS recouped from BRC and which represents 100% of expenses that were not in compliance with the Fiscal Manual, Cost Manual, and the JRR contract.</p> <p>Regarding the DHS follow up allocation analysis, which was presented to OSC, DHS explained that it collected less than 100% of the allocation-related disallowances. This was because our analysis showed that much of the <i>over</i>-allocation to the JRR contract – calculated by OSC</p>

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		<p>determined the JRR contract overallocations would not yield actual savings but would merely reshuffle funds owed to BRC.</p> <p>Additionally, DHS officials told us that they do not recover funds for certain types of non-compliance. For example, DHS officials stated they do not disallow claimed expenses for client supplies based on the absence of written policy or sufficient inventory records. Although officials agreed that BRC did not have required inventory policy and records to support \$39,211 in client supply costs, DHS did not recover these costs because BRC provided DHS with invoices confirming the purchase.</p> <p>For another \$41,789 in non-compliant expenses, officials told us that they used their discretion not to recover this amount because services were provided.</p>	<p>– was offset by corresponding <i>under</i>-allocations to other DHS-funded programs in the building. These funds, which DHS analysis indicates <u><i>exceed \$600,000</i></u>, would not yield actual savings but would merely reshuffle funds that DHS rightfully owed to BRC. OSC did not contest the fact that some portions of their calculated disallowances were owed to other BRC contracts in the building and thus do not represent true potential savings nor did OSC produce alternative estimates or analyses of their own.</p> <p>DHS disagrees with OSC’s statement that it does “not recover funds for certain types of non-compliance.” As explained to OSC during the course of the follow up audit regarding \$39,211 in client supply costs, the Agency reviewed invoices supporting this purchase, which is why there was no need to recoup this amount. These invoices were also shared with the auditors during the initial BRC audit.</p> <p>The Agency confirms that it did not need to recoup \$41,789 from BRC because BRC provided additional supporting documents.</p> <p>The Agency completed the review and recovery of all expenses that were not in compliance with the Fiscal Manual, Cost Manual, and Jack Ryan Residence (JRR)</p>

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		Nevertheless, we encourage DHS to review and recover expenses that are not in compliance with the Fiscal Manual, Cost Manual, and JRR contract.	contract and considers this recommendation fully implemented.
<p>Recommendation 2:</p> <p>Investigate and recover the costs associated with front door supervisory hours, as appropriate.</p>	<p>Partially Agree</p> <p>Agency Corrective Action: DHS will work with BRC to assess the entirety of front door spending, and to allocate costs to different programs as necessary. If after this comprehensive evaluation of front door costs a recoupment is necessary, DHS will recoup the funds.</p>	<p>Status – Not Implemented</p> <p>Agency Action – DHS officials stated that, in response to our initial audit, BRC provided them with JRR staff rosters that included titles, salaries, and functions. Officials indicated they reviewed the rosters and determined DHS did not have to recover any costs associated with front door supervisory hours. We requested the rosters and documentation supporting DHS’ review, and DHS officials provided a list of employees and timecard reports for 12 of these employees as well as employment details for shift supervisors and site coordinators.</p> <p>However, officials did not provide us with documentation to support they specifically reviewed the hours associated with front door supervisors, which is what this recommendation pertains to.</p>	<p>Disagree</p> <p>The Agency disagrees with OSC that this recommendation was not implemented. DHS provided OSC with screenshots from BRC’s payroll company ADP, which showed such details as position name, job function, position ID, etc. for the Jack Ryan Residence shelter supervisors for the audit years of 2017 – 2019. In response to receipt of this information, OSC did not inform the Agency that this documentation did not satisfy their request.</p> <p>The Agency reaffirms that it reviewed the hours associated with front door supervisors and that it did not need to recover associated costs from BRC.</p>

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<p>Recommendation 3:</p> <p>Ensure that providers comply with their contractual requirements to retain sufficient documentation to support proper procurement and maintenance of required inventories.</p>	<p>Partially Agree</p> <p>While it is critical that providers comply with all contractual requirements, DHS also notes that these requirements may change over time. When evaluating providers’ compliance with documentation requirements, it is critical to apply the standards that were in effect for the period under consideration.</p> <p>Agency Corrective Action: DHS and DSS monitor provider compliance with documentation requirements and other contractual obligations as a matter of course, including through use of third-party auditor firms.</p>	<p>Status - Partially implemented</p> <p>Agency Action – After the initial audit, DHS officials obtained and reviewed BRC’s equipment inventory and equipment inventory maintenance procedures. However, officials did not provide documentation demonstrating they obtained or reviewed BRC’s supplies inventory and supplies inventory maintenance procedures.</p> <p>Further, as previously noted, DHS officials indicated they do not recover funds for certain types of non-compliance. For example, DHS does not disallow claimed expenses</p>	<p>Partially Agree</p> <p>Provider compliance with contractual requirements is a key component of DHS’ ongoing oversight efforts, which it takes seriously. To support this, the Agency regularly issues guidance, training and reminders to providers, such as a memo from DHS Administrator Carter on Timekeeping and Document Retention, which was shared with OSC in May 2025.</p> <p>According to the DHS Fiscal Manual, which the Agency covers in annual trainings, providers are required to submit their inventory management Standard Operating Procedures (SOP) for supplies at the start of a contract and annually upon request.</p> <p>As OSC stated in its report, DHS obtained and reviewed BRC’s Inventory Management Policy. This policy, which was last updated on 8/9/2024 and is attached for reference, covers items purchased for \$500 or more including various types of supplies in Appendix A. However, the Agency will work with BRC to ensure that they develop a separate Supplies Inventory Maintenance Procedure.</p> <p>DHS disagrees with OSC’s statement that it does “not recover funds for certain types of non-compliance.” As explained to OSC during the course of the follow up</p>

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		<p>for client supplies based on the absence of written policy or sufficient inventory records. Although officials agreed that BRC did not have the required supplies inventory policy and records to support \$39,211 in client supply costs, DHS did not recover these costs because BRC provided DHS with invoices confirming the purchases.</p> <p>While we acknowledge that DHS provides guidance and training to providers to help ensure compliance, more needs to be done to ensure providers comply with their contractual requirements to retain sufficient documentation to support proper procurement and maintenance of required inventories.</p>	<p>audit regarding \$39,211 in client supply costs, the Agency reviewed invoices confirming this purchase, which is why we did not recoup this amount. These invoices were shared with the auditors during the initial BRC audit. The Agency would have recovered these funds from BRC if they were not properly supported.</p> <p>DHS continues to ensure that its providers comply with their contractual requirements to retain sufficient documentation to support proper procurement and maintenance of required inventories, as a matter of course, including through use of third-party auditor firms. As was shared with OSC, BRC’s contracts were included in the FY’20 and FY’21 round of CPA-managed Agency audits and will also be included in the next round of audits for FY’24.</p>
<p>Recommendation 5:</p> <p>Comply with existing internal policies and complete monthly expenditure reviews.</p>	<p>Partially Agree</p> <p>As is the case with documentation requirements, compliance with internal policies and expenditure review standards are critical but must be evaluated based on the rules in place during the time period covered by the review.</p> <p>Agency Corrective Action: DHS and DSS assess compliance with policies and invoice review</p>	<p>Status Partially Implemented</p> <p>Agency Action – DHS officials indicated they follow the New York City Mayor’s Office of Contract Services’ (MOCS) current invoice procedure, which requires that two expenditure line items be reviewed per month.</p> <p>However, officials stated they could not find documentation of such reviews for July 2019 through</p>	<p>Partially Agree</p> <p>DHS assesses compliance with policies and invoice review procedures as a matter of course. During the COVID-19 pandemic, many DHS staff left the Agency due to illness and/ or retirement. This included program analysts who conducted monthly expenditure BRC reviews for the period of July 2019 through December 2023. The Agency was unable to retrieve these records. However, currently, all invoice review trackers and</p>

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	procedures as a matter of course. Under the MOCS invoice review policy released in early calendar year 2021, BRC invoices are subject to post-payment review, and DHS follows that policy.	December 2023 because these records were not retained. DHS officials stated that during COVID-19 pandemic, many DHS staff left agency due to illness and/or retirement. This included program analysts who conducted BRC monthly expenditure reviews for the period of July 2019 through December 2023, and DHS was unable to retrieve the associated records. However, since 2024, DHS has documented these expenditure reviews in the Procurement and Sourcing Solutions portal (PASSPort).	supporting documents are saved into a centralized repository. This streamlines the retention process and removes the dependency of information retrieval from individual staff members’ computers. Additionally, once the Vault feature is released in the City’s Procurement and Sourcing Solutions Portal (PASSPort) database in the future, DHS will explore the feasibility of saving the invoice trackers in PASSPort.
Recommendation 6: Ensure that providers use the cash method of accounting until policies are changed and develop policies and procedures for authorizing changes to reporting methodology.	Agree The new Health and Human Services Invoice Review Policy is in effect as of January 1, 2021, and gives Providers the ability to invoice on an accrual basis with notification to DHS. Agency Corrective Action: Train Providers on MOCS procedure.	Status- Partially Implemented Agency Action – The MOCS Standard Health and Human Services Invoice Review Policy (SIRP) states that vendors must notify the contracting agency at the beginning of the fiscal year of their intention to claim on an accrual basis, with a list of anticipated line items impacted. DHS developed invoice review procedures to address this. However, the cash method of accounting is still required by the Fiscal manual. Although DHS officials indicated during the initial audit that they were in the process of amending Fiscal Manual to permit the accrual method accounting, they did not make change. Officials stated that DHS was waiting for the full transition to the PASSPort procurement platform before	Partially Agree As per the MOCS Standard Invoice Review Policy (SIRP), providers may use the accrual method of accounting, as long as they notify the Agency at the beginning of the fiscal year. This SIRP-defined standard is also upheld in the DHS Invoice Review procedure. Beginning in 2024 the Agency transitioned to the Procurement and Sourcing Solutions Portal (PASSPort) as New York City's end-to-end procurement platform, which is designed to streamline all stages of the contracting process, including contract management and invoice payments. DHS was waiting for the full transition to PASSPort before updating its Fiscal Manual, to ensure alignment with current payment

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		updating the Fiscal Manual, to ensure alignment with current payment practices. They indicated the Fiscal Manual is in final stages of revision and will include updates on both cash and accrual methods of accounting.	practices. The DHS Fiscal Manual is now in its final stages of revision and will include updates on both cash and accrual methods of accounting.
<p>Recommendation 7:</p> <p>Review and approve all provider allocation methodologies.</p>	<p>Agree</p> <p>Agency Corrective Action: DHS Fiscal Manual details acceptable allocation methodologies for various expenses. Numerous examples are detailed in the Fiscal Manual and the manual also notes that if a provider wants to deviate it must be approved by DHS. DHS reviews all allocations as a part of the annual budget submission.</p>	<p>Status - Partially Implemented</p> <p>Agency Action – DHS officials explained that each proposed allocation methodology is reviewed and approved by budget analyst, the budget director, and DHS program staff during budget submission process. Officials also indicated that the Fiscal Manual outlines acceptable methodologies for various expenses and states that providers must obtain prior approval from DHS before deviating from an approved methodology.</p> <p>However, based on our discussions with DHS officials, it does not appear these reviews focus on whether the methodologies are fair, reasonable, and adequately supported.</p>	<p>Disagree with explanation</p> <p>DHS reviews and approves all provider allocation methodologies, as a matter of course. Without such reviews, the Agency would not be able to conduct and present its follow-up allocation analysis to OSC as well as recoup disallowed and unsupported expenses from BRC.</p> <p>DHS disagrees with OSC’s statement that “it does not appear” that the reviews of the proposed allocation methodologies focus on whether they “are fair, reasonable, and adequately supported.” As a matter of fact, when DHS presented its follow up allocation analysis to OSC, which demonstrated that much of the <i>over</i>-allocation to the JRR contract – calculated by OSC – was offset by corresponding <i>under</i>-allocations to other DHS-funded programs in the building, OSC understood this reasoning and did not propose an alternate approach.</p>

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<p>Recommendation 9:</p> <p>Complete year-end closeouts on time.</p>	<p>Agree</p> <p>Agency Corrective Action: Work with Providers to ensure that any final budget modifications are submitted on a timely basis and a final closeout invoice is submitted soon after the budget modification is reviewed and approved by DHS.</p>	<p>Status - Not Implemented</p> <p>Agency Action – DHS did not complete year-end closeouts on time. For example, DHS has not completed BRC’s year-end closeouts for fiscal years 2023 (more than 600 days overdue) and 2024 (more than 250 days overdue). DHS officials indicated that year-end closeouts are not fully within DHS’s and the provider’s control. They stated that the final closeouts require all invoices to be paid and depend on prior approval from the City’s Office of management and Budget. They also stated that closeouts are delayed when there are pending amendments to add funds to prior fiscal years, and the registration process alone can take several months.</p> <p>Despite these challenges, DHS officials indicated they continue to emphasize the importance of time budget closeouts by regularly sending reminders to providers.</p>	<p>Partially Agree</p> <p>DHS reaffirms its prior response to OSC that while the Agency prioritizes timely budget closeouts, they are not fully within the Agency and provider control. Final closeouts require all invoices to be paid and depend on prior approval from the Office of Management and Budget (OMB) for initiatives such as Prevailing Wage, Cost of Living Adjustment (COLA), Work Enhancement Initiative (WEI), new needs, and others. Closeouts are also delayed when there are pending amendments to add funds to prior fiscal years. The registration process alone can take several months and is often compounded by technical system issues that prevent budget analysts and providers from initiating or completing fund modifications.</p> <p>Despite these challenges, the Agency continues to emphasize the importance of timely budget closeouts by regularly sending reminders to providers, examples of which were previously shared with OSC.</p>

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<p>Recommendation 10:</p> <p>Provide training to providers to ensure that they are aware of the reimbursement requirements.</p>	<p>Agree</p> <p>Agency Corrective Action: MOCS distributed the Standard Invoice Review Procedure to all providers. DSS developed a detailed training this year that is being rolled out to provider staff.</p>	<p>Status – Partially Implemented</p> <p>Agency Action – DHS officials noted several trainings that DHS rolled out, including trainings on the SIRP, budget/invoice review, and allocation methodology. While these trainings covered pertinent reimbursement topics, they do not cover other relevant requirements such as submitting inventory maintenance procedures and documenting inventory. During the initial audit, we found BRC did not comply with these requirements. DHS officials indicated DHS is currently developing an inventory management training to emphasize the instructions on how to maintain and document inventory records.</p>	<p>Disagree with explanation</p> <p>DHS considers this recommendation implemented. Provider training is an ongoing initiative that the Agency takes very seriously, as is evidenced by the below list of multiple training sessions rolled out by DHS as well as those that are continuously being developed by the Agency.</p> <p>As per the original corrective action plan submitted in response to OSC’s initial 2019 Audit Report, DHS implemented this recommendation by rolling out the Standard Invoice Review Procedure (SIRP) training to its providers. The training is geared toward the provider financial staff that are responsible for reimbursement actions. Additionally, DHS conducted the Budget/ Invoice Review training and the DHS FY’24 Annual review training, the presentations for which were previously shared with OSC.</p> <p>On September 20, 2023, DHS also rolled out the allocation methodology web-based training, which is available online to all DHS providers. The Allocation Training Script was previously shared with OSC.</p>

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			Lastly, the Agency is currently developing the inventory management training to emphasize the instructions on how to maintain and document inventory records.
<p>Recommendation 11:</p> <p>Monitor the JRR contract to ensure that government resources are used only for expenses that are allowable, supported, and program appropriate.</p>	<p>Agree</p> <p>DHS monitors all contracts and spending on a regular basis. A key component of invoice review is confirming that funds have been spent on allowable purposes in accordance with program budget. DHS follows MOCS’ most recent invoice review policy, which requires the agency to do post-payment review of expenditures.</p> <p>Agency Corrective Action: Conduct post-payment review and if DHS determines that any funds were disbursed for ineligible costs, we will recoup.</p> <p>In addition, as noted above, DSS/DHS regularly audits providers, including BRC and the JRR program, to do a deeper dive into spending and program accountability.</p>	<p>Status – Partially Implemented</p> <p>Agency Action – As indicated above, DHS took additional steps to monitor JRR contract. While we acknowledge the work DHS performed in response to the initial audit, we also noted that many recommendations have not been fully implemented. DHS officials can take additional steps to help ensure that government resources are used only for expenses that are allowable, supported, and program appropriate.</p>	<p>Disagree with an explanation</p> <p>The Agency thanks OSC for acknowledging that “DHS took additional steps to monitor JRR contract” but disagrees with OSC’s statement that “many recommendations have not been fully implemented.”</p> <p>The Agency actively monitors all contracts and spending as a matter of course and conducted a detailed review of BRC’s documents, invoices, records and allocation methodologies, followed by a reconciliation of the original audit findings, which resulted in subsequent recoupment of unsupported funds from BRC.</p> <p>As demonstrated in the Agency’s responses to the above recommendations, DHS continues to strengthen its oversight through:</p> <ul style="list-style-type: none">- Ongoing updates to procedures and manuals in response to evolving/new systems (e.g. PASSPort) and guidance (e.g. Invoice Review Procedure).

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			<ul style="list-style-type: none">- Targeted training for Agency staff and providers- Regular reminders to providers on key requirements, including timely budget closeouts.- Adherence to citywide policies, such as the MOCS SIRP procedure.- Disallowance and recovery of unsupported or unallowable expenses.