

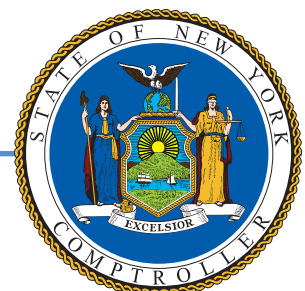
Office of Temporary and Disability Assistance

Reimbursement of Homeless Shelter Providers – Westhab Inc.’s Coachman Family Center

Report 2020-S-56 | March 2022

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

Division of State Government Accountability



Audit Highlights

Objective

To determine if the Office of Temporary and Disability Assistance (Office) adequately monitors and properly approves reimbursement of claims by homeless shelter providers, such as Westhab Inc.'s Coachman Family Center. The audit covered the period January 1, 2019 through December 31, 2019 and select expenses from 2020.

About the Program

Homeless shelters across the State provide an array of services to families and adults, including assessment and case management, access to health care and child care services, and assistance with finding permanent housing. Local departments of social services (Local Districts) either operate shelters directly or contract with providers to operate them. As of October 2021, the Office oversees 627 shelters and 195 shelter providers. According to the U.S Department of Housing and Urban Development's point-in-time count for New York State, there were 92,091 homeless individuals in January 2019 and 91,271 homeless individuals in January 2020.

The Office's funding of shelter services is administered through the Local Districts, comprising the New York City Department of Homeless Services and 57 county offices throughout the rest of the State. As reported in our prior audits of the Office's homeless shelter program ([2015-S-23](#) and [2018-S-52](#)), the Office's annual reimbursements to Local Districts for homeless housing total in the billions of dollars, generally increasing each year. Local Districts submitted \$1.6 billion in gross claims for calendar year (CY) 2017, \$2 billion for CY 2018, \$1.9 billion for CY 2019, and \$2.1 billion for CY 2020.

Since 1996, the Westchester County Department of Social Services (WCDSS) has contracted with Westhab Inc. (Westhab) to operate Coachman Family Center (Coachman) as a certified shelter for families with children. Westhab is the single largest provider of these services in Westchester County and receives substantially all its funding for Coachman through its annual contracts with WCDSS, which the Office approves. The 5-year contract term to operate Coachman, which began January 1, 2015, totaled \$20,120,166. Specifically, for CY 2019, the contract's approved budget for operating Coachman was \$4,180,802, with actual expenditures of \$3,784,968.

To guide its oversight of contracts and services, and ensure that expenses are allowable and supported, the Office follows its own Fiscal Reference Manual (Fiscal Manual), the federal Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), as well as the contract, which provide guidance on the eligibility of reimbursable costs, the documentation necessary to support these costs, and cost allocation requirements for expenses related to multiple contracts. The contract requires providers, such as Westhab, to submit to the Local District monthly invoices of actual expenses as well as supporting documentation, such as receipts, invoices, proof of payment, and allocation methodologies. Expense documentation must comply with the requirements of the Fiscal Manual, Uniform Guidance, and contract.

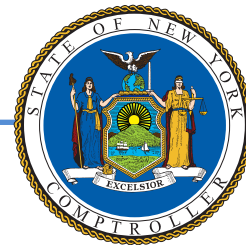
Key Findings

- The Office is not adequately monitoring and properly approving reimbursements for Westhab's homeless shelter program. For CY 2019, we identified \$1,304,695 in reported costs for Coachman that did not comply with cost requirements.

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- The Office has not established an effective budget review process for shelter budgets. The shelter budget is the basis of the per diem that is paid to the shelter. The Office's budget review and approval process compares the current year's budget to the prior year's estimated budget and does not consider prior year actual costs. In essence, the current year's budget is the basis for the following years' budgets. For Coachman specifically, the unused budget for 2019 of \$395,834 was not considered by the Office when reviewing and approving future years' budgets. Additionally, Coachman's CY 2019 budget was not approved by the Office until almost the end of September 2019, well into the budget year. This can result in costs exceeding approved levels or in the allocation of money year after year that historically has not been expended and that could be used elsewhere.

Key Recommendations

- Review and recover, as appropriate, the identified overpayments totaling \$1,304,695, including: \$751,273 in personal service costs, \$509,920 in overstated depreciation from WCDSS, \$40,162 in indirect costs, and \$3,340 in other than personal service costs from Westhab.
- Establish additional monitoring controls and improve oversight to ensure that providers claim only actual expenses and that those expenses are allowable, allocable, reasonable, supported, and consistent with the Uniform Guidance, Fiscal Manual, and contract.
- Implement measures for cost savings such as monitoring and capturing actual costs reimbursed to shelter providers to be used in the budget approval process to ensure appropriate reimbursement of the program and future funding.
- Implement a budget process that is timely so that intended spending controls are meaningful and effective.



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

March 1, 2022

Daniel W. Tietz
Acting Commissioner
Office of Temporary and Disability Assistance
40 North Pearl Street
Albany, NY 12243

Dear Acting Commissioner Tietz:

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 *Reimbursement of Homeless Shelter Providers – Westhab Inc.’s Coachman Family Center*. This audit was performed pursuant to the State Comptroller’s authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance 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

Contents

Glossary of Terms	5
Background	6
Audit Findings and Recommendations	8
Personal Services.....	8
Overstated Depreciation.....	9
Indirect Costs.....	9
Other Than Personal Services.....	10
Internal Process Deficiencies	10
Recommendations.....	11
Audit Scope, Objective, and Methodology	13
Statutory Requirements	14
Authority.....	14
Reporting Requirements.....	14
Agency Comments	15
State Comptroller’s Comment	18
Contributors to Report	19

Glossary of Terms

Term	Description	Identifier
Coachman	Coachman Family Center	<i>Program</i>
CY	Calendar year	<i>Key Term</i>
Division	Division of Shelter Oversight and Compliance	<i>Division</i>
Fiscal Manual	Office of Temporary and Disability Assistance's Fiscal Reference Manual	<i>Policy</i>
Local District	Local department of social services	<i>Key Term</i>
Office	Office of Temporary and Disability Assistance	<i>Auditee</i>
OTPS	Other than personal service	<i>Key Term</i>
Uniform Guidance	Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR Part 200	<i>Regulation</i>
WCDSS	Westchester County Department of Social Services	<i>County Office</i>
Westhab	Westhab Inc.	<i>Service Provider</i>

Background

The Office of Temporary and Disability Assistance (Office) administers programs for the State's low-income residents and provides leadership, guidance, and support to local departments of social services (Local Districts) in the operation of these programs. The Office seeks to meet critical transitional housing needs of the State's homeless population while guiding them to self-sufficiency and, toward this end, oversees a network of 627 transitional homeless shelters to ensure shelters' compliance with applicable rules and regulations, including the New York Codes, Rules and Regulations and the Social Services Law.

Within the Office, the Division of Shelter Oversight and Compliance (Division) oversees the certification, inspection, and oversight of publicly funded homeless shelters for families and adults throughout the State. The Division is also responsible for the development and administration of agency policies in accordance with State regulations that establish the programmatic and physical plant standards for the shelters. As of October 2021, the Office oversees 627 shelters and 195 shelter providers. According to the U.S. Department of Housing and Urban Development's point-in-time count for New York State, there were 92,091 homeless individuals in January 2019 and 91,271 homeless individuals in January 2020.

Homeless shelters across the State provide an array of services to families and adults, including assessment and case management, access to health care and child care services, and assistance with finding permanent housing. Local Districts either operate shelters directly or contract with providers to operate them.

The Office's funding of shelter services is administered through the Local Districts, comprising the New York City Department of Homeless Services and 57 county offices throughout the rest of the State. As reported in our prior audits of the Office's homeless shelter program ([2015-S-23](#) and [2018-S-52](#)), the Office's annual reimbursements to Local Districts for homeless housing total in the billions of dollars, generally increasing each year. Local Districts submitted \$1.6 billion in gross claims for calendar year (CY) 2017, \$2 billion for CY 2018, \$1.9 billion for CY 2019, and \$2.1 billion for CY 2020.

Since 1996, the Westchester County Department of Social Services (WCDSS) has contracted with the not-for-profit Westhab Inc. (Westhab) to operate Coachman Family Center (Coachman) as a certified shelter for families with children. Coachman, with capacity for 100 adult families, serves over 250 families per year. Westhab is the single largest provider of these services in Westchester County and receives substantially all of its funding for Coachman through contracts, grants, and per diem agreements with WCDSS. The Office annually approves the budget that generates the per diem. The 5-year contract to operate Coachman, which began January 1, 2015, totaled \$20,120,166. For CY 2019, the contract's approved budget for operating Coachman was \$4,180,802, with actual expenditures of \$3,784,968.

Local Districts and, in turn, providers that receive reimbursement from the State, State-administered grants, or other funds to provide shelter and services to adults in small-capacity shelters or shelters for adult families experiencing homelessness

are subject to the jurisdiction of the Office and must comply with State laws and regulations.

To guide its oversight of contracts and services, and ensure that expenses are allowable and documented, the Office follows its own Fiscal Reference Manual (Fiscal Manual), the federal Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), as well as the contract, which provide guidance on the eligibility of reimbursable costs, the documentation necessary to support these costs, and cost allocation requirements for expenses related to multiple contracts. According to Westhab's contract, costs will be considered for reimbursement provided they are reasonable, necessary, directly related to the program, and sufficiently documented.

The contract requires Westhab to submit to the Local District monthly invoices of actual expenses as well as supporting documentation, such as receipts, invoices, proof of payment, and allocation methodologies. Expense documentation must comply with the requirements of the Fiscal Manual, Uniform Guidance, and contract.

According to New York State regulation, Local Districts will receive reimbursement from the Office for approved costs, which are to be adjusted to reflect the fiscal period's actual allowable costs. To effectively evaluate costs to be reimbursed, the Office requires Local Districts that reimburse shelter providers outside of New York City, like Coachman, to submit an operating budget annually by January 1. The budget is used to generate a per diem rate based on 97% occupancy level and establishes a not-to-exceed amount that the Office approves for the contract between the Local District and provider. Division and Office staff review each submission and work with the Local District to ensure that all required documents have been included and assess budgeted operating costs to verify that they are reasonable and necessary. Should the Office determine that an expenditure is not reasonable and necessary, the Division will work with the Local District to revise or delete such costs. The Office's review process includes comparing the current budget to the previous year's approved budget and certain budget sections to that of other similar providers. The Office also ensures dollar amounts or percentages above certain thresholds (\$10,000 or 10%) are justified and verifies the appropriateness of increases. However, when the value of a change is more than 10% but less than \$5,000, a justification is not necessarily required. The Office reviews these changes on a case-by-case basis and requests more information as necessary.

Upon making payments to providers, Local Districts submit monthly claiming packages to the Office, through the integrated Automated Claiming System, to be reviewed for reimbursement in accordance with the Fiscal Manual and Uniform Guidance. Local Districts are reimbursed by the Office through the public assistance program. The Office reimburses 29% of claim amounts, and Local Districts are responsible for the remaining 71%.

Audit Findings and Recommendations

The Office oversees contracts and services using the Uniform Guidance, the Fiscal Manual, and the contract to ensure that expenses are allowable and documented. However, its processes are not sufficiently robust to effectively identify unallowable and/or unsupported expenses reported and claimed by Westhab. For CY 2019, we identified \$1,304,695 in costs that did not comply with these requirements and \$395,834 in overstated budgeted amounts. The ineligible costs include \$751,273 in personal service costs, \$509,920 in overstated depreciation, \$40,162 in indirect costs, and \$3,340 in other than personal service (OTPS) costs.

In response to our preliminary findings, the Office stated that the total amount paid by WCDSS to Westhab for CY 2019, and ultimately claimed for reimbursement, was lower than the approved budget amount the Office reviewed and determined was reasonable and necessary to operate the shelter. Nevertheless, because the Office focuses on budgeted costs rather than actual expenses, we identified \$1,304,695 in ineligible costs that should not have been reimbursed.

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 to inadequate oversight and internal controls by the Office.

Personal Services

According to the Uniform Guidance, personal service includes all expenses paid currently or earned during the period, including but not limited to wages and salaries. For CY 2019, Westhab reported \$2,484,019 in personal service expenses related to shelter services at Coachman. To determine whether these expenses complied with the requirements for reimbursement, we reconciled Coachman's 2019 monthly personal service expenses and sampled the payroll records, and found \$751,273 in personal service costs that were unsupported or non-allowable.

Unsupported Compensation

According to the Uniform Guidance, salaries and wages claimed for reimbursement by Westhab must be documented and support the distribution of the employee's effort on various activities or cost objectives, not exceeding 100%. The documentation must be supported by a system of internal controls, which provide reasonable assurance that charges are accurate, allowable, and properly allocated. Budget estimates alone do not qualify as support for charges but may be used for interim accounting purposes only. Costs of compensation are allowable to the extent that they conform to the established written policy of Westhab and are consistent with the Uniform Guidance.

We determined Westhab was reimbursed \$592,960 for unallowable personal service expenses for 16 employees whose effort allocations were not sufficiently documented, based on Timecard Reports submitted by Westhab, and who worked for programs other than Coachman. Westhab did not maintain any time and effort allocation documentation to support the expenses, which were allocated based on

budget estimates, nor does it have a time and effort reporting policy in accordance with the Uniform Guidance. According to Westhab officials, they “were never provided a time and effort allocation policy” to document percentage of effort, there had been no enforcement of time and effort allocation in the past, and paying back funds for which there was no prior enforcement or request for such a policy was unfair. Westhab officials also indicated that charging salaries based on budgeted effort is consistent with past practice.

Prior Period Expenses Claimed on Contract

Westhab’s January 2019 claim included \$146,628 in personal service costs for 56 employees. However, we determined the costs were from the last two pay periods in 2018. These expenses are not related to CY 2019 activities and thus are not reimbursable for that claiming period. We requested that Westhab provide us with its CY 2019 personal service charges claimed in 2020 to determine the net effect. However, Westhab refused to provide this documentation.

Holiday and Discretionary Bonuses

Westhab was reimbursed \$5,579 for discretionary bonuses paid to four employees during September and December 2019 as well as \$5,044 for holiday bonuses paid to 43 employees during December 2019. Neither of these types of bonus are allowable under the Uniform Guidance, which only allows wage reimbursement that is reasonable for the services performed and is in agreement with the provider’s policy. Incentive compensation may be allowable under certain conditions (performance, suggestion awards, or safety awards) if established in advance and consistently applied. Westhab officials stated that they are aware that holiday bonuses are not allowed by certain agencies under federal awards. They also indicated that they have a policy pertaining to incentive bonuses – specifically prescribed for good performance – but did not share the policy with us. As a result, we determined \$11,685 in discretionary and holiday bonuses, which includes \$10,623 in salary plus \$1,062 in administrative indirect costs, paid to employees are non-allowable expenses claimed for CY 2019.

Overstated Depreciation

According to the Fiscal Manual, the use of buildings may be reimbursed through depreciation and be based on the acquisition cost of the assets; no depreciation is allowed on assets that are fully depreciated. We found the Office overpaid WCDSS \$509,920 in depreciation expenses for CYs 2019 and 2020 for the building Coachman uses to provide shelter services, which was fully depreciated. The Office agreed and is recovering the overpayment.

Indirect Costs

For indirect costs, the Uniform Guidance allows an entity that does not have a negotiated rate to elect to charge a rate of 10% of the personal service and fringe

benefits – otherwise known as modified total direct costs. This may be used indefinitely without documentation to justify support. However, costs must be consistently charged as either indirect or direct costs and may not be double-charged or inconsistently charged as both. The methodology, once selected, must be used consistently until the entity chooses to negotiate the rate. The contract states that Westhab chose the 10% indirect cost rate for each of the 5 years covered by the contract. We determined Westhab's cumulative indirect administrative costs claimed on its monthly vouchers for 2019 totaled \$379,444, or 11.18%. At the correct rate of 10%, Westhab should have only claimed a maximum amount of \$339,282, representing an overpayment of \$40,162.

Other Than Personal Services

OTPS includes expenses other than salaries and fringe benefits, such as costs for utilities, insurance, telephones, staff development, travel, and staff uniforms. The Fiscal Manual, Uniform Guidance, and contract require that claimed expenditures be reasonable, necessary, and adequately supported. Further, costs must be claimed in the year in which they were incurred. For CY 2019, Westhab reported approximately \$1,306,813 in OTPS expenses to operate Coachman. We sampled a total of \$116,297 in OTPS expenses and determined that \$3,340 of the claimed OTPS expenses were unsupported and/or non-allowable, among them:

- \$1,199 in uniforms for staff at another Westhab-run entity. Westhab stated this was a coding error and should not have been charged to Coachman.
- \$1,000 in staff development costs identified as a staff retreat. The retreat included different recreational activities for staff that are neither reasonable nor necessary for the shelter program. Also, Westhab did not obtain the required prior approval.
- \$328 in misallocated staff development costs, involving training for staff members who were not included in Coachman's 2019 payroll claim.

Internal Process Deficiencies

Budget Approval Process

According to its Directive 7-ADM-04, the Office must review the shelter's operating budget and justifications annually. Should the Office determine that a budgeted expenditure is not reasonable or necessary, the Division will work with the Local District to revise or delete such costs.

During our audit, we determined that the Office's budget review and approval process compares the current year's budget to the prior year's budget and does not consider the prior year's actual costs reimbursed as part of the budgeting process. Also, the current year's budget is the basis for following years. While providers are permitted to bill up to the approved budget amount, the approved budget for Westhab's Coachman for CY 2019 was \$4,180,802, while the total reimbursed

for same period was \$3,784,968 – a difference of \$395,834. This difference is not considered during the budgeting process by the Office since actual costs are not compared to approved budget and line-item actual costs prior to reviewing and approving the current year’s budget.

Office officials disagreed, asserting that reduced spending would mean that the shelter should be operating on a reduced budget, and cited as an example that shelters often do not spend all their personal services budget as it is difficult for shelters to recruit and retain staff. The approved budget reflects the staffing that the Office expects this shelter to maintain based upon capacity and must be sufficient to fund all the potential costs necessary to operate a shelter at full, or nearly full, capacity. However, we believe that in accordance with practical business practices, advocated by professional organizations such as the Government Finance Officers Association, budgets must always be compared to actual expenses during the preparation and monitoring phases to identify any deviations and for the purpose of performance evaluation.

Further, Westhab is required to submit a budget to WCDDS every year by November 1 and the Office requires facility budget submissions by January 1. However, Coachman’s CY 2019 budget was not approved by the Office until September 25, 2019 – well into the budget year. To be an effective control for an entity’s financial activity, a finalized approved budget needs to be in place prior to or shortly after the start of the fiscal period, which would mean starting the budgeting process sooner than at the start of the fiscal year.

By not establishing sufficient internal controls and an effective budget review process, shelter budgets are being permitted to increase beyond needed funding levels. This can result in a misuse of public funds and in the allocation of money year after year that historically has not been expended and that could be used elsewhere. Additionally, an untimely budget is an ineffective control that can lead to inappropriate spending.

Recommendations

1. Review and recover, as appropriate, the identified overpayments totaling \$1,304,695, including: \$751,273 in personal service costs, \$509,920 in overstated depreciation from WCDSS, \$40,162 in indirect costs, and \$3,340 in OTPS costs from Westhab.
2. Conduct a formal risk assessment regarding homeless funding and take steps to mitigate the risks identified.
3. Establish additional monitoring controls and improve oversight to ensure that Westhab claims only actual expenses and that those expenses are allowable, allocable, reasonable, supported, and consistent with the Uniform Guidance, Fiscal Manual, and contract.

-
4. Implement measures for cost savings such as monitoring and capturing actual costs reimbursed to shelter providers and include this in the budget approval process to ensure appropriate reimbursement of the program and future funding.
 5. Implement a budget process that is timely so that intended spending controls are meaningful and effective.
 6. Issue guidance and provide support, such as training, to Local Districts on reimbursable shelter costs to ensure costs are allowable and compliant with relevant regulations and guidelines.

Audit Scope, Objective, and Methodology

The audit objective was to determine if the Office adequately monitors and properly approves reimbursement of claims by homeless shelter providers, such as Westhab Inc.'s Coachman Family Center. The audit covered the period January 1, 2019 through December 31, 2019 and select expenses from 2020.

To accomplish our objective and assess internal controls related to the Office's oversight and monitoring of expenses reported by Westhab for Coachman, we reviewed laws and regulations; Office policies, procedures, and directives; relevant financial and program records; and the contract for the audited period. We interviewed Office management to gain an understanding of their efforts. We also interviewed WCDSS and Westhab officials to further gain an understanding of the reimbursement process.

We obtained all CY 2019 claiming packages, vouchers, invoices, and general ledger and select expenses for CY 2020. We also obtained all checks issued to Westhab for Coachman by WCDSS for 2019 reimbursed expenses. We determined that the data was sufficiently reliable for our use in accomplishing our audit objective. We selected a judgmental sample of reported costs for both personal services and OTPS to determine whether they were supported, reasonable, and necessary. Specifically, we reviewed costs that were considered high risk such as high dollar amounts or questionable allowability in accordance with the Uniform Guidelines for OTPS transactions. We also reviewed costs that were considered high risk such as allocated employees, staff hired during CY 2019, employees whose compensation was adjusted, and employees with the highest hours paid. We reviewed payroll and personnel records for staff working for Coachman as well as supporting documentation for OTPS expenses such as invoices, receipts, and checks. Our samples were based on the relative materiality of the various categories of costs reported and their associated level of risk. Our samples were not designed to be projected to the entire population of reported costs.

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 II, Section 8 of the State Finance Law.

We conducted our performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. These duties could be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our professional judgment, these duties do not affect our ability to conduct this independent performance audit of the Office of Temporary and Disability Assistance's oversight and administration of reimbursement of homeless shelter providers.

Reporting Requirements

We provided a draft copy of this report to Office officials for their review and formal comment. Their comments were considered in preparing this final report and are attached in their entirety at the end of it, along with our own State Comptroller's Comment. Office officials generally agreed with the report's recommendations and indicated actions they are taking to implement them.

Within 180 days after final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Office of Temporary and Disability Assistance shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.

Agency Comments



Office of Temporary and Disability Assistance

KATHY HOCHUL
Governor

DANIEL W. TIETZ
Acting Commissioner

BARBARA C. GUINN
Executive Deputy Commissioner

February 9, 2022

Nadine Morrell
Audit Director
Office of the State Comptroller
110 State Street
Albany, NY 12236

Re: Reimbursement of Homeless Shelter Providers –
Westhab Inc.'s Coachman Family Center,
2020-S-56

Dear Ms. Morrell:

This letter responds to the Draft Report (Draft Report) released by the Office of the State Comptroller (OSC) regarding its audit of the Office of Temporary and Disability Assistance's (OTDA's) reimbursement of homeless shelter providers, and in particular, with respect to Westhab Inc.'s (Westhab's) Coachman Family Center (CFC). While OTDA agrees that it can enhance its subrecipient monitoring with respect to payments made to shelter operators by social services districts (local districts" or "districts), the Draft Report contains inaccuracies that should be corrected.

- a. Draft Report at p. 1 and 6, states that "As of October 2021, the Office oversees 627 shelters and 195 providers, which served 92,091 individuals in calendar year (CY) 2019 and 91,271 individuals in CY 2020.**

In response to an OSC data request for the total population of homeless in the State, OTDA provided information from the United States Department of Housing and Urban Development (HUD) Point-in-Time (PIT) count. The PIT count is a count of sheltered and unsheltered people experiencing homelessness on a single night in January and is not representative of an entire year. Further, it is not a fair representation to say that the number from the HUD PIT count is the same as the number served by shelters overseen by the Office because the PIT count includes both sheltered and unsheltered individuals and because the PIT count of sheltered individuals includes shelters that are not reimbursed from State or State-administered grants or funds, which are not under the oversight of OTDA.

[Comment 1](#)

- b. Draft Report, at p. 7, states that "Local Districts are reimbursed by the Office through the public assistance program. The Office reimburses 29% of claims amounts, and Local Districts are responsible for the remaining 71%."**

The Public Assistance (PA) program incorporates both the Family Assistance (FA) program and the Safety Net Assistance (SNA) program. Costs associated with PA households with children that have received assistance for less than 60 cumulative months are generally eligible for reimbursement under the FA program. For districts outside of New York City, districts' FA claims are reimbursed 100% with federal Temporary Assistance for Needy Families (TANF) funds. However, TANF funds cannot be used to reimburse district claims associated with costs to shelter a family where the head of the household or a spouse of the head of a household has received federal assistance for more than 60 cumulative months nor for households that do not include a dependent child. 42 U.S.C. § 608(7)(a); 45 CFR

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§ 264.1. Once families have “timed out” and are ineligible to continue receiving TANF-funded benefits, claims associated with their shelter costs are reimbursed through SNA, which is funded by the State and local districts. Under SNA, the State reimburses districts for 29% of the amounts claimed by the district and districts are responsible for the remaining share.

OTDA's responses to OSC's Recommendations

1. Review and recover, as appropriate, the identified overpayments totaling \$1,304,695, including: \$751,273 in personal service costs, \$509,920 in overstated depreciation from the Westchester County Department of Social Services (WCDSS), \$40,162 in indirect costs, and \$3,340 in OTPS costs from Westhab.

Response: OSC determined that, during the period covered by the audit, WCDSS claimed and received reimbursement for unallowable personal service expenses paid by CFC, ineligible holiday and discretionary bonuses paid by CFC, unallowable indirect costs and other than personal services (“OTPS”) costs paid by CFC. OSC further concluded that WCDSS overstated depreciation on the building that houses CFC in the claims for reimbursement WCDSS submitted to OTDA.

As a preliminary matter, OTDA does not contract with shelter providers. Article VII, § 1 of the New York State Constitution provides that “[t]he aid, care and support of the needy are public concerns and shall be provided by the state and by such of its subdivisions, and in such manner and by such means, as the legislature may from time to time determine.” To enable districts to fulfill their constitutional obligation to aid and care for persons and families experiencing homelessness, the legislature enacted SSL § 131-v (1), which provides that a “social services official may contract with a non-profit corporation or charitable organization to provide temporary emergency shelter for eligible homeless households in dwelling units owned or leased, and operated by such corporations or organizations.” Accordingly, districts contract directly with shelter providers, pursuant to SSL § 131-v (1), to provide shelter services to households within the districts who are experiencing homelessness. OTDA is not a party to those contracts.

However, OTDA shares OSC's concern that WCDSS may have claimed and received reimbursement for unallowable personal service expenses paid by CFC, ineligible holiday and discretionary bonuses paid by CFC, and unallowable indirect costs and OTPS costs paid by CFC. OTDA is looking into this matter and will require claiming adjustments as appropriate. OTDA also agrees that it can enhance its subrecipient monitoring with respect to payments made to shelter operators by districts.

OTDA further agrees that WCDSS overstated depreciation on the building that houses CFC in claims for reimbursement made to OTDA by \$73,920 in 2019 and \$436,000 in 2020. OTDA also agrees that, as a result, WCDSS was over-reimbursed in the amount of \$509,920. WCDSS has since advised OTDA that it will submit adjusted claims for 2019 and 2020 that will accurately state the depreciation charge that WCDSS may properly claim, which will result in OTDA recouping the amount that was overpaid. Additionally, OTDA has emphasized to WCDSS, and will continue to emphasize, that WCDSS must comply with the policies pertaining to claims that are set forth in OTDA's Fiscal Reference Manual. OTDA is also enhancing its emphasis on accurate depreciation costs claimed as it reviews claims for reimbursement made by all districts.

Notably, the total amount paid by WCDSS to Westhab for the 2019 calendar year, and ultimately claimed to OTDA for reimbursement through the Public Assistance program, was lower than the total value of the approved budget which OTDA had reviewed and determined to represent a reasonable and necessary value to operate the shelter.

2. Conduct a formal risk assessment regarding homeless funding and take steps to mitigate the risks identified.

Response: OTDA has initiated a formal risk assessment of districts' reimbursement of homeless shelter costs to identify and mitigate risks.

3. Establish additional monitoring controls and improve oversight to ensure that Westhab claims only actual expenses and that those expenses are allowable, allocable, reasonable, supported, and consistent with the Uniform Guidance, Fiscal Manual, and contract.

Response: OTDA will evaluate and enhance its subrecipient monitoring activities as necessary.

4. Implement measures for cost savings such as monitoring and capturing actual costs reimbursed to shelter providers and include this in the budget approval process to ensure appropriate reimbursement of the program and future funding.

Response: OTDA reviews each proposed budget to assess whether budgeted expenditures are reasonable and necessary. OTDA disagrees that under-spending in one year necessarily means that an operating budget should be reduced in the next year. Moreover, the implementation of a timely budget review process, as recommended by OSC, would preclude OTDA's ability to compare actual costs to a proposed budget because actual expenditures in a given fiscal year would not be complete in sufficient time for the next year's budget approval. However, OTDA will evaluate the ability to incorporate a review of completed prior year expenditures into the budget approval process.

5. Implement a budget process that is timely so that intended spending controls are meaningful and effective.

Response: OTDA agrees and is taking steps to help ensure that the budget process is completed on a timely basis.

6. Issue guidance and provide support, such as training, to Local Districts on reimbursable shelter costs to ensure costs are allowable and compliant with relevant regulations and guidelines.

Response: OTDA has issued detailed guidance to districts regarding the development of shelter budgets. OTDA will issue enhanced guidance addressing reimbursement of shelter providers by districts, including allowable and unallowable costs.

If you have questions or comments about our response to the Draft Report, please contact OTDA's Audit Liaison at (518) 473-6035.

Sincerely,



Daniel W. Tietz
Acting Commissioner

cc: Barbara C. Guinn, Executive Deputy Commissioner
Cheryl Contento, Deputy Commissioner

State Comptroller's Comment

- 1. The report has been revised to address these matters.

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