NYC DEPARTMENT OF SOCIAL SERVICES
CORRECTIVE ACTION PLAN

Audit Name: Office of the State Comptroller – CityFHEPS Rental Assistance Program – CAP Update
Audit Number: 2023-N-1 **Date: 5/28/2025**

Auditor's Recommendations	Agency Response	Responsible Unit	Agency Corrective Action	Target Date
Recommendation 1: Implement a system that appropriately monitors clients' eligibility for CityFHEPS and ensure that Shopping Letters are issued and renewed in a timely manner.	**Agency Disagrees** As previously explained, the generation and renewal of CityFHEPS Shopping Letters in the DHS system is generally automated based on data in the state Welfare Management System (WMS) and the DHS CARES system. Shopping Letters are generated fifteen days prior to expiration if a client is still eligible for CityFHEPS. If a new letter was not generated prior to the expiration of the current letter that would mean that either the client's Cash Assistance (CA) case is closed, or circumstances with employment or household composition have changed such that they are no longer eligible for a Shopping Letter. When client circumstances change again, such that they are eligible, a new letter will generate automatically. Clients who are eligible for a Shopping Letter but are not active on Cash Assistance can request a manual letter through DHS. Also, note that there is no City Rule indicating that a new Shopping Letter must be generated prior to the expiration of a current letter. The CityFHEPS Rule requires that households meet the eligibility criteria in order to receive the letter. **State Comptroller's Comment** – Contrary to DSS' assertions, we identified households that had active cash assistance cases with no change in their circumstances,	N/A	N/A	N/A

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	and where a Shopping Letter was neither issued nor renewed. Consequently, we stress the importance of monitoring clients' eligibility and ensuring that Shopping Letters are issued when appropriate and renewed in a timely manner.			
Recommendation 2: Routinely monitor client case management records in DHS CARES for potential errors and update/correct accordingly.	**Agency Partially Agrees** The State Comptroller is citing a handful of cases where the exit reasons were coded incorrectly. **State Comptroller's Comment** – Approximately 21% of the cases we selected for review had exit reasons coded incorrectly, which is more than a "handful of cases." DSS is continuously working to ensure appropriate controls exist in the CARES system recording process around shelter exits. The system and procedures are evolving and may, at times, need to catch up to a new initiative. Effective April 2024, the Agency instituted additional measures by documenting the reason for shelter exits in the check distribution process, prior to exit from shelter, to ensure that the information providers are entering is specific and accurate to applicable exit reasons. In addition, the Agency conducts monthly training sessions	DHS Rehousing	Update exit reasons in CARES.	Completed April 2024

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	to reinforce that accurate exit codes are used by staff.			
Recommendation 3: Update Policy Bulletins in a timely manner to reflect changes in CityFHEPS policies and procedures.	**Agency Disagrees** The Agency continuously updates policy bulletins and procedures to reflect changes in policy. Given the critical nature of moving individuals and families into permanent housing, there may be a delay between implementing a policy change and the recording of it in staff guidance documents. Additionally, as some of the policy changes result in changes within systems, at times the guidance for staff must follow the roll-out schedule of the impacted systems which may trail the change(s) in policy. **State Comptroller's Comment** – It is good internal controls to establish guidance before implementing programs that are funded with taxpayer dollars. As noted in our report, while DSS officials told us that landlords of Augmented CityFHEPS cases are not eligible for Unit Hold Incentives, the 2021 Policy Bulletin related to the administration of the CityFHEPS program does not include this guidance and does not have a process for verifying that Unit Hold Incentives are paid only to eligible landlords. A lack of timely policies and procedures can lead to issues similar to the one highlighted in our report, where, according to the data, 916 Augmented CityFHEPS cases inappropriately received Unit Hold Incentives. We reiterate the importance of updating	N/A	N/A	N/A

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	Policy Bulletins timely when DSS changes CityFHEPS policies and procedures, so staff know how to properly execute important functions.			
Recommendation 4: Establish a process to assist eligible clients in their search to find permanent housing upon issuance of the shopping letter.	**Agency Disagrees** The process for assisting clients in their search for permanent housing occurs on day one, well before the issuance of the Shopping Letter and this assistance continues until the move-out from the shelter occurs. This involves assisting clients with employment, access to case management services, housing specialists, and other social services available through our Agency and non-profit shelter providers. The shelter housing specialists' primary task is to find apartment leads for the clients. The Agency actively searches for housing units in the private market through the DHS apartment search team and the Public Engagement Unit. These apartments are made available to shelter providers on behalf of clients through the HOME Program. The Agency shares best practices with, and provides regular training to, shelter providers to ensure clients move through the housing process expeditiously. This housing search occurs within the broader context of the NYC rental market, which currently has a rental vacancy rate of 1.4%, and is considerably lower than 1.4% for affordable rental units. For example, for households searching for units under $1,100, the vacancy rate was only 0.39%. This vacancy rate creates a hardship in finding	N/A	N/A	N/A

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	apartments. Nevertheless, DSS has continued to facilitate moveouts and ensures that our providers and clients work together to access tools that allow clients to exit shelters into permanent housing. Exit plans are tailored to client circumstances and choice (i.e., it may be linked to a school their children are attending or a medical facility where they may be receiving services). **State Comptroller's Comment** – DSS provided no evidence that the agency actively supports clients in their search for permanent housing once the Shopping Letter has been issued. In fact, DSS' Policy Bulletin and the Shopping Letters issued to clients state that it is the clients' responsibility to look for and find housing. Additionally, the shelter provider we visited informed us that while they recommend brokers, it is incumbent on the client to search for apartments. While we recognize the current shortage of affordable rental units, we emphasize that DSS' support is imperative. Despite numerous meetings with DSS officials during the audit engagement, we were not informed of the DHS apartment search team and the Public Engagement Unit, nor was this information provided in DSS' responses to our preliminary reports. Overall, DSS has increased permanent housing placements from DHS shelter by more than 20% year over year, which is evidence of the success of the processes in place to assist clients in their housing search despite market conditions.			

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Recommendation 5: Establish proper internal controls over CityFHEPS payments to landlords, including monitoring of incentives, and recoup any overpayments or improper payments, as warranted.	**Agency Partially Agrees** The CityFHEPS payment process has seen major improvements through the use of CurRent. Specifically, CurRent has allowed the Agency to make huge strides in improving controls over landlord payments by streamlining the data entry process. CurRent maintains a separate landlord record, linked to each client, so that if ten clients share the same landlord only one update needs to be made. This ensures accurate information is entered for all related client records, and also ensures that the landlord receives accurate payment. The Agency is gradually expanding access to the CurRent landlord portal, which gives landlords the ability to manage their own payment preferences. CurRent also allows the Agency to view all payments made to landlords across all of their tenants, whereas pre-CurRent payments could only be viewed tenant by tenant, which significantly improved our ability to monitor and review. Additionally, the DSS Claims and Collections unit reviews data matches and recovers funds, as appropriate. The Agency has a standard procedure that informs staff and the Landlord Management unit within the DSS Homelessness Prevention Administration (HPA) how to refer a case for investigation and recoupment. **See attached procedure**	DHS Rehousing DSS AO Claims & Collections Unit	Agency will review the Unit Hold Incentives case list and recoup, as needed.	**3/31/2025** **4/2/25 update: 10/31/2025**

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	for reference. Finally, in July of 2024, a specific lease tag was added in CurRent to indicate special circumstances, such as augmented rent. This allows application reviewers and approvers to see clearly if a lease has augmented rent and should not receive a unit hold incentive. In a future release of CurRent the Agency is also planning to add a feature to select a unit hold on leases with augmented rent, to ensure that the unit hold cannot be added to the application in error. This means that there will be a systemic restriction so that augmented rent and unit hold incentives cannot be simultaneously selected.			
Recommendation 6: Develop and implement policies and procedures with regards to the administration of Augmented CityFHEPS.	**Agency Agrees** The Agency uses updated systems, including CurRent, where the payment process occurs. In addition, there are existing internal processes and a draft workflow that are being finalized and that staff use to manage the Augmented CityFHEPS subsidy process. Once again, it is important to note again that policies and procedures often follow the implementation of a new initiative.	DHS Rehousing OPPT	Finalize Augmented CityFHEPS procedure	**3/31/25** **4/15/2025: Completed See attached procedure.**
Recommendation 7: Improve controls related to Subchapter B units, including but not limited to:	**Agency Disagrees** OSC misstates the intent of these projects, including how the contract was immediately implemented in the buildings, versus how the contract will function in the	N/A	N/A	N/A

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a. Establishing proper policies and procedures related to the administration of Subchapter B units. b. Monitoring monthly rent payments to ensure that DSS is only paying for units that are occupied by CityFHEPS clients. c. Performing regular physical inspections of units to ensure their habitability for CityFHEPS clients. Coordinate this effort with HPD if necessary. d. Ensuring that contractors offer vacant units to eligible CityFHEPS clients as required by Agreements.	buildings long-term, post-construction. **State Comptroller's Comment** – Our report does not misstate or discuss the intent of the agreements related to Subchapter B units. It merely states the services the contracted entities must provide in accordance with the agreements. The Subchapter B contract helped transition in-place shelter clients to permanent housing tenants by providing residents with leases and CityFHEPS vouchers upon acquisition of the buildings by Neighborhood Restore. Due to the significant rehabilitation scope of the projects, DSS has *intentionally* delayed move-ins for additional tenants until necessary renovations are complete. As tenants need to be relocated for the construction period, moving new tenants into the project at this time would further delay progress. We anticipated that not all units would be occupied pre-construction, and that units which remained unoccupied during construction would not receive a rent subsidy. **State Comptroller's Comment** – Our report identified vacant units where DSS continued to pay rent. As a result, we continue to encourage DSS officials to improve their monitoring of Subchapter B units. The DSS primary goal for this universe of Subchapter B units is to use project based CityFHEPS to expand the supply of affordable housing. This can be done in two			

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	ways. First, the contracts can be used to support acquisition of move-in ready buildings that would otherwise be market rate housing. Alternatively, the contract can help to support the financing package for substantial rehabilitation in conjunction with the Housing Preservation & Development (HPD). In these cases, Subchapter B contracts help to expand the City's portfolio of affordable housing by making a construction loan closing financially viable, so the buildings for existing and future residents exiting from shelter to permanency represent high quality affordable housing. The necessary rehabilitation would not be possible without the project-based rent structure. DSS will be amending and restating contracts to facilitate calendar years 2024 and 2025 loan closings led by HPD. This work is actively underway, but the OSC Report does not reflect the significant effort and time it takes to get deeply distressed occupied buildings to a construction loan closing. a. The Agency disagrees with creating policies and procedures for this universe of projects, as the contract will be the long-term governing document for these projects. **State Comptroller's Comment** – While we understand the role of the contract, specific policies and procedures could help DSS establish clear and uniform guidance to effectively oversee Subchapter B units and to ensure that CityFHEPS clients are placed in safe housing in a			

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	timely manner. b. The Agency disagrees as the contract governs how payments will be made to these units and, as stated above, DSS has an existing process for recouping overpayments. **State Comptroller's Comment** – Although the contract governs how payments will be made, as noted in our report, we found payments were not made in accordance with the terms of the contract, as certain vacant units were paid for when they should not have been. As CityFHEPS expenditures have been significantly increasing in recent years, we reiterate the importance of exercising fiscal prudence and accountability and ensuring that the expenses incurred are appropriate. c. Any vacancies in these units are intentional and in support of the planned development project. Regular inspections are not part of the CityFHEPS process and are unnecessary for these contracts at this time. d. Again, vacancies in these units are intentional and in support of the planned development project. **State Comptroller's Comment** – As highlighted in our report, approximately 20% of Subchapter B units designated for CityFHEPS clients were vacant and not available for occupancy. Given the affordable housing			

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	and homelessness crisis, coupled with the extremely low vacancy rates as acknowledged by DSS, we encourage DSS to engage in more direct oversight of those units, including performing periodic inspections to identify units that can be readily made habitable and available to program participants.			
Recommendation 8: Coordinate efforts with HPD to ensure that Subchapter B unit rehabilitations are completed in accordance with Management and Pre-Development Agreements and in a timely manner.	**Agency Disagrees** DSS is already coordinating with HPD on these development projects but *is not the lead agency*. HPD's closing timelines are based on a variety of factors including availability of city capital, the scope of the project, provider readiness, and private market financing conditions (i.e. interest rates). **State Comptroller's Comment** – Regardless of who is the lead agency, given the City's significant investment in Subchapter B units and looming affordable housing shortages, it is essential that DSS improve controls over Subchapter B units as recommended in our report. We note that the developers entered into contracts in 2021, and at the time of our audit in 2024, there was still no definitive timeline for the rehabilitation work DSS talks about.	N/A	N/A	N/A