

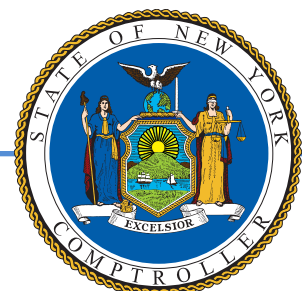
# **New York City Department of Social Services**

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## **New York City Department of Homeless Services – Oversight of Contract Expenditures of Church Avenue Merchants Block Association, Inc.**

**Report 2023-N-9 | July 2025**

**OFFICE OF THE NEW YORK STATE COMPTROLLER**  
**Thomas P. DiNapoli, State Comptroller**  
**Division of State Government Accountability**



# Audit Highlights

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## Objective

To determine whether the New York City Department of Homeless Services (DHS) is effectively monitoring its contract with Church Avenue Merchants Block Association, Inc. (CAMBA) to ensure reported costs are allowable, supported, and program-related. The audit covered the period from July 2020 through June 2023.

## 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 and for providing fiscal oversight of the homeless shelters. In July 2011, DHS contracted with CAMBA, 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 homeless women, including those with mental illness and co-morbid substance abuse disorders, at its 200-bed Magnolia House Women's Shelter (Magnolia) for the period from July 2011 through June 2020. The original contract for \$67.4 million was renewed, amended, and increased during the period from July 1, 2020 through June 30, 2021 to \$84.5 million, including \$4.9 million to cover COVID-19-related expenses. In July 2021, DHS entered into a new \$49 million contract with CAMBA for the period from July 1, 2021 through June 30, 2026 for Magnolia.

During the 3 fiscal years ended June 30, 2023, CAMBA claimed \$27.9 million in reimbursable expenses for the contracts. DHS is responsible for monitoring its contracts with CAMBA to ensure reported costs are allowable, supported, and program related. To qualify for reimbursement, CAMBA's invoices/expenses must comply with DHS' Human Service Providers Fiscal Manual (Fiscal Manual), the City of New York Health and Human Services Cost Policies and Procedures Manual (Cost Manual), and the Magnolia contracts.

## Key Findings

For the 3 fiscal years ended June 30, 2023, we identified \$4,501,692—accounting for approximately 16.1% of all CAMBA's reported costs—that did not comply with the requirements in the Fiscal Manual, Cost Manual, and Magnolia contracts. This includes:

- \$2,126,980 in compensation costs (salaries and related fringe benefits) that were not supported by Magnolia staff sign-in/sign-out logs, were overallocated to the Magnolia contracts, or were not related to the Magnolia program.
- \$1,835,545 in contracted services costs and other expenses that were unsupported, overallocated to the Magnolia program, or non-reimbursable.
- \$539,167 in indirect costs related to the non-allowable charges identified in the report.

These findings, along with other irregularities, point to a significant deficiency in DHS' monitoring and oversight of its contracts with CAMBA. For instance, DHS approved CAMBA's security contracts without evidence that they were competitively bid, as required. DHS also did not complete the required expenditure reviews or ensure that year-end closeouts were completed timely—a process control that would improve the quality of DHS' reviews and facilitate recovery of overpayments.

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## Key Recommendations

- Review and recover, as appropriate, \$4,501,692 in reported expenses that were not in compliance with the Fiscal Manual, Cost Manual, and Magnolia contracts.
- Review the eligibility of claimed expenses in accordance with the Fiscal Manual, Cost Manual, and providers' contracts, ensuring that providers such as CAMBA:
  - Retain the requisite documentation to support claimed expenses,
  - Maintain the required inventories, and
  - Complete year-end closeouts on time.



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

July 14, 2025

Molly Wasow Park  
Commissioner  
New York City Department of Social Services  
4 World Trade Center, 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 Church Avenue Merchants Block Association, Inc.* This audit was performed pursuant to the State Comptroller's authority under 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

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Term	Description	Identifier
DSS	New York City Department of Social Services	<i>Auditee</i>
DHS	New York City Department of Homeless Services, an administrative unit within DSS	<i>Department</i>
CAMBA	Church Avenue Merchants Block Association, Inc.	<i>Service Provider</i>
Cost Manual	City of New York Health and Human Services Cost Policies and Procedures Manual	<i>Policy</i>
Fiscal Manual	DHS' Human Service Providers Fiscal Manual	<i>Policy</i>
Magnolia	Magnolia House Women's Shelter	<i>Facility</i>
OTPS	Other than personal services	<i>Key Term</i>

# Background

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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 fiscal year 2022-23, DHS spent approximately \$3.5 billion to provide transitional housing and services to 66,195 adults and children (20,162 single adults, 5,119 adult families, and 40,914 adult 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 2023, there were 102 private homeless shelter providers with 446 registered contracts providing transitional housing and services for single adults and families.

In July 2011, DHS contracted with Church Avenue Merchants Block Association, Inc. (CAMBA), 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 homeless women, including those with mental illness and co-morbid substance abuse disorders, at its 200-bed Magnolia House Women's Shelter (Magnolia) for the period from July 2011 through June 2020. The original contract for \$67.4 million was renewed, amended, and increased for the period from July 1, 2020 through June 30, 2021 to \$84.5 million, including \$4.9 million to cover COVID-19-related expenses. In July 2021, DHS entered into a new contract for \$49 million with CAMBA for the period from July 1, 2021 through June 30, 2026 for Magnolia. During the 3 fiscal years ended June 30, 2023, CAMBA operated 12 transitional homeless shelters (including Magnolia) that served an average of 2,323 clients nightly. CAMBA's operations were funded primarily by governmental sources. In 2023, CAMBA held 15 contracts with DHS valued at approximately \$604.3 million.

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, CAMBA's invoices/expenses must comply with the Fiscal Manual, the City of New York Health and Human Services Cost Policies and Procedures Manual (Cost Manual), and the Magnolia contracts, 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 3 fiscal years ended June 30, 2023, CAMBA claimed \$27.9 million in reimbursable expenses for the Magnolia contracts, including \$9.3 million in personal services, \$16.5 million in other than personal services (OTPS), and \$2.1 million in indirect expenses.

# Audit Findings and Recommendations

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DHS utilizes the Fiscal Manual, Cost Manual, and Magnolia contracts to oversee CAMBA services provided at Magnolia 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 3 fiscal years ended June 30, 2023, we identified \$4,501,692 in reported costs—or approximately 16.1% of all reported costs—that did not comply with these requirements, indicating significantly deficient monitoring by DHS. These ineligible expenses include \$2,126,980 in personal service costs, \$1,835,545 in OTPS costs, and \$539,167 in indirect costs (see Exhibit).

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 Magnolia contracts require claimed expenditures to be supported, appropriate, necessary, and directly related to services under the Magnolia contracts. 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 Magnolia contracts state that CAMBA shall maintain appropriate supporting documentation such as vouchers, bills, cost allocation plans, support for allocation methodologies, and DHS' approval of the allocation methodologies for all expenditures claimed and to retain documentation for any payment or expenditures made. Expenses not incurred in the performance of the service program are not allowable. In addition, the Fiscal Manual requires that CAMBA maintain supporting documentation such as allocation methodologies, support for the allocation methodologies, and time records.

During the 3 fiscal years ended June 30, 2023, CAMBA reported approximately \$9.3 million in personal service costs. We identified \$2,126,980 in personal service costs that did not comply with the written guidance in the Fiscal Manual, Cost Manual, and Magnolia contracts.

## Inadequately Supported Compensation

For the 3 fiscal years ended June 30, 2023, CAMBA claimed \$9,346,489 in compensation related to the Magnolia contracts for 148 employees. To determine whether these expenses complied with the requirements for reimbursement, we judgmentally selected four samples from CAMBA's invoices, accounting for 98 employees, for which CAMBA claimed \$1,761,665 (\$1,365,632 in salaries and \$396,033 in fringe benefits) in compensation costs. We reviewed CAMBA's general ledgers, payroll records, personnel files, and Magnolia sign-in/sign-out logs, and



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interviewed CAMBA officials to determine whether the compensation claimed was reimbursable. We found \$1,069,422 in compensation expenses that were not adequately supported.

CAMBA uses an electronic time sheet system, which employees access via their cell phones or computers, to record the hours employees worked. In addition, they are required to manually sign in and sign out of the facility. To determine the accuracy of CAMBA's electronic payroll records, we compared the electronic time sheets to the manual sign-in/sign-out logs for eight of the 98 sampled employees from August 14, 2022 through March 25, 2023. We determined that 54% (317 of 584) of the electronic time sheet entries did not match the manual log entries. This includes 53 instances where the sign-out times on the electronic time sheets were later than the sign-out times on the manual logs and 48 instances where the sign-in times on the electronic time sheets were earlier than the sign-in times on the manual logs. Consequently, we could not rely on the electronic time sheets. To determine the accuracy of the employees' compensation, for 88 of the 98 employees, we compared the hours for which the employees were paid to the hours from the manual logs that CAMBA provided (the remaining 10 employees, while allocated to the Magnolia contract, were not located at the shelter and therefore did not manually sign in/sign out on a daily basis). We determined that \$1,069,422 in compensation costs (\$829,009 in salaries and \$240,413 in related fringe benefits) were unsupported, as follows:

- \$948,864 for 74 employees for whom CAMBA did not provide the manual logs
- \$71,454 for 37 employees for whom the manual logs did not support the hours worked
- \$49,104 for 23 employees for whom either the sign-in or sign-out times were missing from the manual logs<sup>1</sup>

We recommend that DHS recover \$1,069,422 in compensation costs that were not in compliance with the Fiscal Manual, Cost Manual, and Magnolia contracts.

## Excessive Allocation of Compensation

The Cost Manual states that claimed costs must be reasonable and necessary for the performance of the contract and adequately documented. According to the Magnolia contracts, CAMBA shall allocate costs attributable to multiple programs or funding sources using a cost allocation methodology that fairly and accurately reflects the allocable share of such costs. The contracts also require CAMBA to submit a cost allocation plan detailing the allocation methodology and supporting documentation to DHS for approval. The Fiscal Manual states that, for allocated costs, the provider must specify the allocation methodology used and indicate the method used on the Allocation Methodology Worksheet. In addition, the cost allocation methodology should be reasonable, consistent, and auditable. The

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<sup>1</sup> The employees identified in the list are not unique; for some, the salary disallowance falls within multiple categories.

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Fiscal Manual also prescribes the use of actual time per employee time records or time sheet sampling for allocating personal services costs. In addition, the Fiscal Manual requires that CAMBA maintain supporting documentation such as allocation methodologies, support for the allocation methodologies, and DHS' approval of them. We identified \$625,405 in compensation for shared employees that was excessively allocated to the Magnolia contracts.

During our audit period, we reviewed Magnolia's payroll records and determined that six employees, with aggregate compensation of \$852,711, were allocated to the Magnolia contracts. We asked CAMBA officials to provide us with their allocation methodologies, related supporting documentation, and DHS' approval of the allocation methodologies. CAMBA officials advised us that the allocations were based on the percentage of time the employees worked for the various shelters. However, CAMBA officials did not provide us with support for these percentages and advised that they did not complete time studies. Additionally, we saw no evidence that DHS approved their allocation methodology.

To determine a fair and reasonable amount that should have been allocated to the Magnolia contracts, we reviewed documentation such as payroll records, allocation percentages, and employees' personnel files. We also interviewed the employees, observed systems in process, and visited an off-site storage location. In the absence of support for CAMBA's allocation percentages, we computed our disallowance based on the number of shelters the shared employees worked for. We determined that \$625,405 (\$484,810 in salaries and \$140,595 in related fringe benefits) of the compensation for these employees should not have been charged to the Magnolia contracts. We recommend that DHS recover \$625,405 that was overallocated to the Magnolia contract.

## Non-Program-Related Employees

The Fiscal Manual, Cost Manual, and Magnolia contracts require expenditures claimed be supported, appropriate, necessary, and directly related to services under the Magnolia contracts. According to the Magnolia contracts, no funds shall be spent for expenses not incurred in accordance with the contract terms. The Cost Manual states that claimed costs must be reasonable and necessary for the performance of the contract. Expenses not incurred in the performance of the service program are not allowable. In addition, the Fiscal Manual requires that CAMBA maintain all supporting documentation such as payroll ledgers, labor distribution reports, and time records.

For the 3 fiscal years ended June 30, 2023, CAMBA claimed \$432,153 for four employees who were not on Magnolia's manual sign-in/sign-out logs. In order to determine whether these four employees provided services to Magnolia, we reviewed available documentation such as payroll records, allocation percentages, organizational charts, and employees' personnel files, and interviewed one of the four employees. Two of the remaining three employees were no longer employed by the organization, and CAMBA officials did not make the other employee available

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for interview. We determined that these four employees did not work for Magnolia. We recommend that DHS recover \$432,153 (\$335,002 in salaries and \$97,151 in related fringe benefits) in compensation costs that were not in compliance with the requirements in the Fiscal Manual, Cost Manual, and Magnolia contracts.

## 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 Magnolia contracts require that claimed expenditures be supported, appropriate, necessary, and directly related to services under the Magnolia contract. Supporting documentation can include proof of payment, invoices, service contracts and subcontracts, approved and supported allocation methodologies, inventory records, inventory maintenance procedures, and insurance policies. For the 3 fiscal years ended June 30, 2023, CAMBA reported approximately \$16.5 million in OTPS expenses for the Magnolia contracts. We identified \$1,835,545 in OTPS costs that were not in compliance with the requirements in the Fiscal Manual, Cost Manual, and Magnolia contracts. We attribute this to a lack of monitoring by DHS.

## Contracted Services Costs

Contracted services costs are those costs incurred in procuring professional and technical skills to complete specific tasks or projects that cannot be accomplished by the provider's regular staff. The Cost Manual states that claimed costs must: be reasonable and necessary for the performance of the contract and adequately documented, conform to any contractual limitations or exclusions, and be consistent with generally accepted accounting principles. The Magnolia contract states that the contractor must solicit and document written estimates for any payment or agreement of goods, supplies, or services for amounts in excess of \$25,000 to one person or entity over the course of a 1-year period. The Fiscal Manual identifies service contracts, subcontracts, time records, inventory logs, receiving reports, and competitive bids as backup documentation to support OTPS expenses.

During the audit period, CAMBA claimed a total of \$7,694,308 in contracted services costs, including security (\$4,372,285), meals (\$1,511,791), temporary staffing (\$988,447), and medical services (\$821,785). We selected six judgmental expense samples, totaling \$2,778,872, for the 3 fiscal years ended June 30, 2023. The samples included \$1,005,128 in security expenses, \$517,596 in meals, \$316,381 in medical services, and \$68,449 in temporary staffing. We reviewed invoices, service subcontracts, time records, food usage logs, and receiving reports, and requested inventory logs and competitive bids. We also observed CAMBA's security, medical, and meal distribution processes. We identified \$1,027,169 in costs that were not in compliance with the reimbursement requirements, as follows:

- \$483,615 in meal expenses. This includes \$483,560 in expenses not supported by meal rosters and receiving receipts and \$55 in petty cash expenses for meals that CAMBA could not support were for clients.

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- \$271,021 in medical services expenses. This includes \$189,320 in overclaimed expenses (\$102,123 in expenses that exceeded the budgeted amount and \$87,197 in expenses for non-budgeted positions) and \$81,701 in unsupported expenses (\$74,904 in expenses not supported by time records and \$6,797 in expenses not supported by invoices and inventory logs).
  - \$203,917 in contracted security expenses, including:
    - \$120,625 in unsupported expenses (\$106,693 in invoices for which no time records were provided and \$13,932 in expenses for which the time records did not indicate the sign-in or sign-out times)
    - \$83,292 in overclaimed expenses (\$51,934 in expenses for employees who were not on the time records, \$28,332 in expenses where rates exceeded the contracted amounts, and \$3,026 in expenses for which the hours claimed exceeded the hours on the time records)
  - \$68,616 in temporary staffing expenses that were not supported by time records, licenses, user agreements, and manual sign-in/sign-out logs.

We recommend that DHS recover \$1,027,169 in contracted services expenses that did not meet the reimbursement requirements.

## Unsupported Expenses

The Fiscal Manual, Cost Manual, and Magnolia contracts require claimed expenditures to be supported, appropriate, necessary, and directly related to services under the Magnolia contract. The Magnolia 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 gives DHS the right to require and approve a cost allocation methodology that fairly and accurately reflects the actual allocable share of expenses attributable to the operation of two or more programs or funding sources. Further, it states that inventory records must be maintained for supplies and food that were purchased and consumed. The Fiscal Manual states that the provider shall be responsible for maintaining inventory records for office and program supplies. It also requires vehicle usage logs to support claimed expenses. The Fiscal Manual prescribes methodologies for allocating shared expenses among programs and requires the providers to specify and obtain approval for the method used. The methodology must be reasonable, consistent, and auditable. Further, the Fiscal Manual states that DHS reserves the right to withhold or recoup any payments to the provider for allocated costs if 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 CAMBA complied with the requirements for reimbursement, we selected six judgmental samples, totaling \$2,778,872, for the 3 fiscal years ended June 30, 2023. We reviewed CAMBA's general ledgers, invoices, allocation methodologies, and underlying records, and identified \$567,240 in expenses that were not adequately supported, as follows:

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- \$205,264 in facility repairs and maintenance expenses. CAMBA could not support the allocation methodologies for \$201,404 in expenses, could not locate \$2,345 in purchased items (e.g., office cabinets), or provide documentation such as inventory or usage logs for \$1,515 in expenses.
  - \$189,194 in client supply expenses, including \$182,050 in allocated expenses, \$5,620 that lacked inventory or usage logs, and \$1,524 that lacked a service contract.
  - \$129,373 in liability, property, and other insurance expenses, including \$74,748 in unsupported allocations and \$54,625 lacking service contracts.
  - \$25,878 in motor vehicle expenses that lacked support for the allocation methodology (\$16,840), insurance contracts (\$8,889), and supporting documents such as vehicle usage logs (\$149).
  - \$8,707 in office supplies lacking support for the allocation methodologies and inventory or usage logs.
  - \$3,146 in bundled communication expenses lacking support for the allocation methodologies.
  - \$3,083 in staff training expenses lacking support for the allocation methodologies.
  - \$1,595 in client transportation expenses for which CAMBA did not support the allocation methodologies and/or provide receipts.
  - \$1,000 in postage expenses for which the invoice, receipt, and support for the allocation methodology was not provided.

We recommend that DHS recover \$567,240 in expenses that were not in compliance with the requirements in the Fiscal Manual, Cost Manual, and Magnolia contracts.

## Overallocated Expenses

The Fiscal Manual, Cost Manual, and Magnolia contracts require claimed expenditures to be supported, appropriate, necessary, and directly related to services under the Magnolia contract. The Magnolia 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 gives DHS the right to require and approve a cost allocation methodology that fairly and accurately reflects the actual allocable share of expenses attributable to the operation of two or more programs or funding sources. Further, it states that inventory records must be maintained for supplies and purchases of food. The Fiscal Manual states that the provider shall be responsible for maintaining an inventory of office and program supplies. The Fiscal Manual prescribes methodologies for allocating shared expenses among programs and requires providers to specify and obtain approval for the method used. The methodology must be reasonable, consistent, and auditable. Further, the Fiscal Manual states that DHS reserves the right to withhold or recoup any payments to the provider for allocated costs if DHS determines that the cost

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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 CAMBA complied with the requirements for reimbursement, we selected six judgmental samples, totaling \$2,778,872, for the 3 fiscal years ended June 30, 2023. We reviewed CAMBA's general ledgers, invoices, allocation methodologies, and records, and requested support for CAMBA's allocation methodologies. We identified \$156,953 in overallocated expenses, as follows:

- \$94,166 in supplies expenses, including \$49,917 in client supplies and \$44,249 in cleaning supplies that were not sent to Magnolia. CAMBA also did not maintain inventory records for supplies, without which there is no assurance that supplies were used exclusively for Magnolia's operations.
- \$62,787 in rent, utility, and repair/maintenance expenses for an off-site storage facility used to store supplies, records, and obsolete items (e.g., discarded refrigerators, unusable grill, furniture) for multiple shelters. DHS did not provide any documentation to support that it had approved CAMBA's lease of this facility.

We recommend that DHS recover \$156,953 in expenses that were not in compliance with the requirements in the Fiscal Manual, Cost Manual, and Magnolia contracts.

## Non-Reimbursable Expenses

The Fiscal Manual, Cost Manual, and Magnolia contracts require claimed expenditures to be supported, appropriate, necessary, and directly related to services under the Magnolia contract. According to the Cost Manual, claimed costs must be adequately documented, conform to contractual limitations or exclusions, be reasonable and necessary for the performance of the contract, and be consistent with generally accepted accounting principles. The Magnolia contracts state that no funds shall be spent for expenses not incurred in accordance with the contract terms. The Fiscal Manual states that certain expenses such as fines and penalties and expenses that cannot be supported are not reimbursable. It also states that the provider is responsible for maintaining an inventory of office and program supplies. In addition, CAMBA's subcontracts for security and medical services prescribe specific rates, positions, and amounts that the contracted services providers can claim for services provided.

To determine whether CAMBA complied with the Fiscal and Cost Manuals, as well as with Magnolia's contracts and CAMBA's subcontracts, we reviewed general ledgers, invoices, contracts, subcontracts, allocation methodologies, and underlying records for the previously noted six judgmental samples totaling \$2,778,872, and identified \$84,183 in expenses that were not in compliance with the requirements in the Fiscal and Cost Manuals and the Magnolia contracts, as follows:

- \$51,751 in supplies expenses, including \$48,539 in client and cleaning supplies expenses charged to Magnolia and delivered to other CAMBA shelters for fiscal year 2023 and \$3,212 in food and party supplies for staff.



- \$31,248 in vehicle expenses (\$17,587 in lease payments and \$13,661 in maintenance and repairs for two vehicles not used by Magnolia, one of which was used by a CAMBA executive who did not work for Magnolia).
- \$1,184 in non-allowable fines and penalties, including \$194 applicable to a different shelter.

We recommend that DHS recover \$84,183 in expenses that were not in compliance with the requirements in the Fiscal Manual, Cost Manual, and Magnolia contract.

In addition, CAMBA did not maintain inventory records for supplies and did not provide documentation to support the inventory issued to Magnolia for fiscal years 2021 and 2022. Consequently, we recommend that DHS review and reconcile purchases for fiscal years 2021 and 2022.

## Indirect Costs

Indirect costs are based on fixed rates applied to direct costs claimed. The Fiscal Manual permits service providers to claim the maximum allowable indirect overhead cost rate of 10%. CAMBA received a fixed percentage of the total direct expenses, except rent, as an indirect cost. Consequently, any direct expenses recommended for recovery result in an indirect expense disallowance.

We determined that \$539,167 in indirect costs should be recovered due to the non-allowable charges identified in our report and the Magnolia indirect rates for the 3 fiscal years ended June 30, 2023. We note that for fiscal year 2020-21, DHS paid an indirect cost rate of 12%, which exceeded the allowable indirect expenses in fiscal year 2021 by \$142,914 (see Table 1).

**Table 1 – Indirect Costs for the Three Fiscal Years Ended June 30, 2023**

Fiscal Year	Unsupported, Incorrectly Allocated, and Non-Allowable Amount	Indirect Rate	Disallowed Indirect Cost
2020-21	\$1,224,558	12%	\$265,370*
2021-22	1,008,616	10%	100,862
2022-23	1,729,351	10%	172,935
<b>Totals</b>	<b>\$3,962,525</b>		<b>\$539,167</b>

\*This amount accounts for the allowable 10% indirect rate disallowance of \$122,456 for 2021 (\$1,224,558 × 10%) plus the over-refunded amount of \$142,914.

## DHS Oversight of Provider 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. CAMBA's contract requires the entity to maintain appropriate supporting documentation such as bills, vouchers, receipts for expenses incurred, and cost allocation plans, and to submit invoices and supporting documentation to DHS in accordance with the requirements in the Fiscal Manual. The Fiscal Manual also requires inventory maintenance procedures, inventory

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records, receiving reports, subcontracts, time records, and insurance policies. It also outlines important oversight tasks for DHS to ensure providers complied with their contracts. These tasks include provider expenditure reviews and timely closeout of year-end expenses.

We determined that DHS did not adequately monitor CAMBA's fiscal activities, and its internal controls were insufficient to detect and prevent the payment of the unallowable and unsupported expenses claimed by CAMBA.

## **DHS Expenditure Reviews**

To ensure expenses are appropriate, the Fiscal Manual requires DHS to review a provider's line-item expenses. Prior to paying monthly invoices, the 2020 Fiscal Manual requires DHS to review three random OTPS line-item expenses claimed on a provider's monthly invoices. During fiscal year 2021, the number of line-item expenses to be reviewed was reduced to two and the timing of the review was changed to post review (reviewing transactions after the invoiced amounts were paid). The Fiscal Manual also requires DHS to review each reported OTPS line-item expense by the end of each fiscal year. The Fiscal Manual states that supporting documentation will be requested for selected line items, at the discretion of DHS program staff. Examples of supporting documentation include receipts, provider contracts and subcontracts, inventory maintenance procedures, and allocation methodologies, including the supporting documents for the methodologies and DHS' approval of them. DHS must also ensure that all salaries claimed are within the budget.

Based on our examination of 36 monthly invoices, we determined that DHS reviewed just 13 of the 36 monthly invoices (36%) submitted by CAMBA. For the remaining 23 invoices, no evidence of review was provided. According to DHS officials, the staff who did the reviews had retired and the records for July 2020 through May 2022 were unavailable. For the 13 invoices, we determined that DHS did not review seven of 18 OTPS line-item expenses (39%) for fiscal year 2023. DHS officials reviewed only selected OTPS line-item expenses, but detected no issues with the expenses they reviewed. However, when we conducted our review of high-risk OTPS line-item expenses, we found \$84,183 in non-reimbursable costs, including \$48,539 in supplies purchased for other shelters, \$31,248 in non-program-related vehicle expenses, and \$4,396 in food expenses (\$3,212) and fines (\$1,184).

## **Other Non-Compliance Issues**

We also noted that DHS' expenditure reviews failed to identify/correct the following Fiscal Manual and contract non-compliance issues.

## **CAMBA's Cost Allocation Plan**

CAMBA's contracts with DHS require it to submit, for DHS' review and approval, a cost allocation plan that accurately and equitably shares expenses that are attributable to multiple programs or funding sources. They also require CAMBA to



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provide supporting documentation to enable DHS to review and approve the cost allocation plan. The Fiscal Manual prescribes methodologies for allocating shared expenses among programs and requires providers to specify and obtain approval for the method used. The methodology must be reasonable, consistent, and auditable. We found that DHS did not obtain, review, or approve CAMBA's cost allocation plan. While CAMBA used various methodologies to allocate costs, it could not support the basis for the allocation methodologies it used. In the absence of this support, we conducted interviews, reviewed documentation, and conducted observations to determine the acceptable allocations for the Magnolia contracts.

## Supplies Inventory/Maintenance Procedures

The Fiscal Manual requires providers to submit inventory maintenance procedures designed to ensure that accurate records are maintained for all supplies purchased for DHS' review and approval. These procedures require the provider to maintain inventory records and receiving reports for supplies, which should be delivered directly to Magnolia unless otherwise authorized by DHS in writing. The procedures also require clear separation of duties related to purchasing, receiving, reconciling, and approving issuance of inventory. In addition, the Fiscal Manual requires receiving reports to be compared to invoices, thereby ensuring that only delivered items are paid for. Furthermore, the provider is required to annually submit an inventory of purchased supplies to DHS.

Our audit found that, since August 2019, CAMBA rented a storage facility where they stored supplies, records, and obsolete equipment for multiple DHS-funded shelters (discussed in more detail later). For the 3 fiscal years ended June 2023, CAMBA incurred \$424,536 (\$393,496 in rent and property tax and \$31,040 in utilities) in expenses for this facility and allocated \$92,839 to Magnolia for July 2020–February 2023. DHS did not provide us with written approval authorizing CAMBA to deliver items for Magnolia to this facility. Instead, DHS officials stated that they approved Magnolia's budgets, which include expenses for the storage facility. However, this contradicts the provisions in the Fiscal Manual that require DHS' written approval. Further, DHS did not review the expenses for this storage facility, although CAMBA claimed it as a separate OTPS line-item expense in each invoice for the period July 2020–February 2023.

DHS did not receive, review, or approve any inventory maintenance procedures for CAMBA or receive an annual inventory of supplies purchased by CAMBA, as required. Additionally, we found fundamental deficiencies related to inventory of supplies:

- Purchasing, receiving, issuing, and custody of supplies were done solely by two CAMBA executives.
- CAMBA could not provide a record of the supplies that were in the storage facility or say which supplies belong to Magnolia. Additionally, CAMBA did not maintain inventory for supplies purchased for the 3 fiscal years and had no record of the supplies issued to Magnolia for fiscal years 2021 and 2022.

- 
- CAMBA purchased \$1,547,693 (94%) of their client and cleaning supplies from one supplier during the audit period and allocated \$414,351 of these purchases to Magnolia, including \$48,539 in supplies that were delivered directly to other shelters.

We reviewed records of the supplies purchased, allocated, and issued to Magnolia for the 3 fiscal years ended June 2023 from the sole supplier mentioned earlier, and found that CAMBA could not account for \$242,346 of the \$336,512 (72%) in supplies allocated to Magnolia and delivered to the off-site storage facility. Moreover, DHS reviewed office supplies four times and facilities maintenance expenses twice during fiscal year 2023 and did not find any of the issues we identified, such as the lack of written approval and the absence of the required inventory records.

## Monitoring of CAMBA Subcontracts

According to the Fiscal Manual, fringe benefits claims exceeding 26% must be justified. The Fiscal Manual does not include an indirect rate for contracted medical providers.

CAMBA contracted with a medical services provider in July 2016 to operate a clinic to service Magnolia clients in-house. The annual contract amount for each of the 3 fiscal years ended June 2023 was \$513,417. The contract budget details the approved positions and amounts. CAMBA's subcontract permits the medical services provider to bill Medicaid for services provided to Medicaid-eligible clients and report the Medicaid revenue received to CAMBA. CAMBA's contract with the medical services provider states that "Expenses under the Agreement" should be offset with Medicaid revenue. Consequently, the medical services provider offset \$246,330 in Medicaid revenue. Both CAMBA and the medical services provider interpreted the "expenses incurred under this Agreement" to mean any expenses incurred in operating the clinic; consequently, the expenses incurred to operate the clinic included \$149,651 in allocated administrative costs and \$108,000 in bonuses. In addition, the medical services provider billed CAMBA a fringe benefit rate of 35% of salaries (which exceeds CAMBA's 29% fringe benefit rate and DHS' 26% threshold without justification) and an indirect rate of 8.5% of direct expenses. Despite reviewing expenses submitted by CAMBA four times during fiscal year 2023, DHS was unaware of the Medicaid revenue offset, the 35% fringe benefit, and the 8.5% indirect rates.

In addition, during the 3 fiscal years ended June 2023, DHS paid \$89,175 for non-budgeted positions and \$100,144 that exceeded the approved budgets, invoiced by the medical services provider. Similarly, DHS officials did not provide support to show they reviewed the medical services provider's fringe benefits, nor were they aware of the \$246,330 in Medicaid revenue the medical services provider received. While this did not result in a disallowance, we question the reasonableness of the Medicaid revenue offset.

CAMBA also contracted with a private security firm in July 2017 to provide security services at Magnolia. CAMBA officials stated that they used the security firm initially

to supplement their internal security and that the service grew over the years. The Fiscal Manual requires the private security firm to be prequalified and competitively bid if the subcontract exceeds \$20,000. It also states that the contractor should not engage a subcontractor without DHS' approval. For the 3 fiscal years ended June 2023, CAMBA did not bid for this service and DHS paid \$4,372,285 in contracted security expenses during the period. In addition, DHS approved the subcontract for fiscal years 2022 and 2023. We question the basis for this approval because proof that three bids were obtained is a requisite condition for DHS' approval.

We also found some significant deficiencies related to monitoring and approval of the hours security personnel worked. The security invoices were supported by manual time sheets, which were prepared by the security supervisors who entered the names of the security staff and the hours they worked. The security staff signed the time sheets, which were not approved by the security supervisors. Moreover, CAMBA did not maintain a record of the security personnel who worked (as they did for CAMBA employees), and did not attest to the hours on the time sheets worked by security personnel or otherwise indicate that the hours and rates were checked. The absence of approvals and independent verification resulted in excess claims. We found that the security firm invoiced \$50,920 for hours that were not worked and \$28,332 for rates that exceeded the requirements in the contract. This disallowance is already included on page 11 of our report (under Contracted Services Costs).

## Year-End Closeout

The Fiscal Manual requires providers, such as CAMBA, to submit a final 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. The final budget modification and the closeout invoice must be submitted no later than September 1 or the next business day if September 1 falls on a weekend. Delays in submitting the closeout invoice may result in delays in payments for the following fiscal year. We found that the 2022-23 fiscal year-end closeout was still outstanding as of April 11, 2025 and that the 2021-22 and 2020-21 fiscal year-end closeouts were also not timely (see Table 2).

**Table 2 – Timing of Fiscal Year-End Closeouts**

Fiscal Year	Final Invoice Submission Date	Final Invoice Approval Date	DHS Criteria Date	Days Late
2020-21	3/2/2023	3/15/2023	9/1/2021	560
2021-22	12/16/2023	12/18/2023	9/1/2022	473
2022-23	7/14/2023	7/14/2025	9/1/2023	611

According to DHS officials, year-end closeouts are dependent on factors beyond their control. However, it is imperative that DHS follows its year-end closeout policy because a timely closeout would improve the quality of the DHS reviews and facilitate recovery of overpayments.

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## Other Matters

### Medical Service Contract

CAMBA's medical services provider subcontract requires the medical services provider to operate a clinic 8 hours each day Monday through Friday. The budget requires the clinic to be staffed with four positions including Nurse Practitioners. During each of the 3 fiscal years ended June 2023, the contract had an annual amount not to exceed \$513,417. We reviewed the medical services provider's monthly visit reports for 8 of the 36 months of the audit period and determined, based on the services provider's standard allowable times for the type of service provided, that the Nurse Practitioners spent 641 hours servicing Magnolia clients. However, the medical services provider, per the time-based subcontract, was paid for 1,730 hours for the four Nurse Practitioners—a difference of 1,089 hours (63%), for which the medical services provider was paid but Magnolia clients were not receiving services. However, we could not recommend that DHS recover \$106,315 in expenses (\$72,582 in salaries, \$25,404 in fringe benefits, and \$8,329 in indirect expenses) for the 8 months because the provider's subcontract is based on hours worked and not the number of hours spent servicing clients.

### Off-Site Storage Facility

As stated earlier, the Fiscal Manual requires DHS' written approval to deliver supplies to a location other than Magnolia.

For the 3 fiscal years ended June 2023, CAMBA incurred \$424,536 in expenses for a 10,000-square-foot storage facility and allocated \$92,839 in expenses to Magnolia for July 2020–February 2023. Together with CAMBA officials, we conducted a walkthrough of the rented storage facility to confirm what was being stored and measured the square footage. We found that the facility was used to store supplies and records as well as unusable items, such as a grill and refrigerators (see Figures 1 and 2). We determined that approximately 67% of the storage facility was used to store records and supplies and the other 33% (3,331 square feet) was used to store the obsolete items. Paying \$140,097 in rent and utilities for over 3,331 square feet of space to store obsolete items is a misallocation of resources. Inadequate monitoring of contractual requirements can allow these issues to go undetected.



**Figure 1** – CAMBA'S rented storage facility containing supplies, records, and obsolete items for multiple DHS-funded shelters



**Figure 2** – CAMBA'S rented storage facility containing supplies, records, and obsolete items for multiple DHS-funded shelters

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## Recommendations

1. Review and recover, as appropriate, \$4,501,692 in reported expenses that were not in compliance with the Fiscal Manual, Cost Manual, and Magnolia contracts.
2. Review the eligibility of claimed expenses in accordance with the Fiscal Manual, Cost Manual, and providers' contracts, ensuring that providers such as CAMBA:
  - Retain the requisite documentation to support claimed expenses,
  - Maintain the required inventories, and
  - Complete year-end closeouts on time.
3. Comply with the provisions of the Fiscal Manual, Cost Manual, and existing internal policies including:
  - Monthly expenditure review of providers' line-item expenses,
  - The 10% indirect rate cap, and
  - Approval of providers' allocation methodologies and inventory procedures.
4. Provide training to providers and DHS staff members to ensure that they are aware of the reimbursement requirements.



# Audit Scope, Objective, and Methodology

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The objective of our audit was to determine whether DHS is effectively monitoring its contract with CAMBA to ensure reported costs are allowable, supported, and program-related. The audit covered the period from July 2020 through June 2023.

To accomplish our objective and assess related internal controls, we reviewed Magnolia contracts, the Cost Manual, the Fiscal Manual, and procurement and invoice review procedures. We interviewed key personnel from DHS and CAMBA to obtain an understanding of their rules, policies, and procedures and their oversight of the Magnolia contract. We also visited Magnolia and CAMBA to review documents and observe the procedures in operation, and subcontractors to review the expenses they claimed.

We used a non-statistical sampling approach to provide conclusions on our audit objective as well as to test internal controls and compliance. We selected a judgmental sample of reported costs to determine whether they were supported, program-related, and reimbursable. Specifically, we reviewed costs that were considered high risk and reimbursable in limited circumstances based on prior audit report findings, such as salaries and fringe benefit expenses, cost allocations, and OTPS expenses. Our samples were based on the relative materiality of the various categories of costs reported and their associated levels of risk. However, because we used a non-statistical sampling approach for our tests, we cannot project the results to the respective populations. Our findings based on these samples are discussed in detail in the body of our report.

We obtained data from DHS' HHS Accelerator system and general ledgers maintained by CAMBA, and assessed the reliability of that data by interviewing officials knowledgeable about the systems and tracing to and from source data. We determined that the data from these systems were sufficiently reliable for purposes of this report.

We also obtained data from Magnolia's payroll system and assessed the reliability of that data by tracing to and from source data. As described in the body of this report, we found Magnolia's electronic payroll records to be unreliable as they contained inaccurate data. Because this data could not be relied on, we instead used CAMBA's manual logs with sign-in/sign-out times to support our findings.

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, which were identified in the report. Generally accepted government auditing standards do not require us to complete a data reliability assessment for data used for this purpose.

# Statutory Requirements

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## 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 General Municipal 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.

As is our practice, we notify agency officials at the outset of each audit that we will be requesting a representation letter in which agency 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 letter of representation is intended to confirm oral representations made to the auditors and to reduce the likelihood of misunderstandings. Agency officials normally use the representation letter to assert that, to the best of their knowledge, all relevant financial and programmatic records and related data have been provided to the auditors. They affirm either that the agency has complied with all laws, rules, and regulations applicable to its operations that would have a significant effect on the operating practices being audited, or that any exceptions have been disclosed to the auditors. However, officials at the New York City Mayor's Office of Operations have informed us 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 agency 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 attached in their entirety at the end of it. In their response, DSS officials partially agreed with most of the report's recommendations and indicated actions they have taken or will take to implement them. Our response to certain DSS comments are embedded within DSS' response as State Comptroller's Comments.

Within 180 days after 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 herein, and where recommendations were not implemented, the reasons why.

# Exhibit

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## Recommended Cost Recoveries – Three Fiscal Years July 1, 2020 Through June 30, 2023

Recommended Cost Recoveries	2020-21	2021-22	2022-23	Totals
Personal Services	\$841,224	\$670,440	\$615,316	\$2,126,980
Other Than Personal Services	383,334	338,176	1,114,035	1,835,545
Indirect Expenses	265,370	100,862	172,935	539,167
<b>Total Recommended Cost Recoveries</b>	<b>\$1,489,928</b>	<b>\$1,109,478</b>	<b>\$1,902,286</b>	<b>\$4,501,692</b>



# Agency Comments and State Comptroller's Comments

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W-2-548  
Rev. 05/23

## DSS Accountability Office

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Commissioner

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June 12, 2025

Kenrick Sifontes  
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 Church Avenue Merchants Block Associates, Inc. (2023-N-9)**

Dear Mr. Sifontes,

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 Church Avenue Merchants Block Associates (CAMBA), Inc. (2023-N-9).

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. Please see below a summary of key points regarding our oversight of this CAMBA contract.

### **DHS will audit CAMBA's Magnolia shelter contract**

DHS regularly works with third-party auditing firms to evaluate provider compliance with contractual obligations, including documentation requirements. The Agency plans to include CAMBA's Magnolia shelter in its next round of CPA-managed contract-based audits. These audits play a critical role in our continued efforts to ensure appropriate use of contract funds.

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### **DSS complies with the Citywide Invoice Review Policy**

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) Standard Invoice Review Policy (SIRP), dated January 1, 2021. 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."

### **DHS has placed CAMBA on Enhanced Invoice Review**

Please note that effective November 2024, DHS has placed CAMBA on an enhanced invoice review process, beginning with January 2025 invoices, as outlined in the MOCS SIRP. This process requires CAMBA to submit paid invoices for a more rigorous review than the two-line items per the invoice service period. Providers remain on enhanced review for at least three months, with a possibility for additional extensions. During this time providers are expected to submit invoices with appropriate supporting documentation and significant reductions in errors to the Agency. To date, CAMBA continues to remain on the enhanced review process and its invoices continue to be closely monitored by the Agency staff.

### **DHS has placed CAMBA on an Agency Corrective Action Plan**

Additionally, beginning May 1, 2025, DHS placed CAMBA on an organizational Corrective Action Plan (CAP) for a duration of five years. Within ninety days after the third anniversary of this CAP, CAMBA may submit a request to DHS to end the CAP. However, DHS reserves the right to amend, extend, and expand this CAP beyond its original term.

As part of this CAP, DHS directed CAMBA to hire an independent consultant for a period of two years, who will monitor and audit CAMBA operations, including, but not limited to:

- CAMBA's adherence to the HHS Cost Manual, DHS Fiscal Manual, and applicable Federal, City and State laws with regards to all financial matters.
- Specific steps CAMBA has taken or needs to take as a result of any audit findings.
- Conducting audits and investigations as may be reasonable or appropriate to ensure CAMBA's compliance with all local, state and federal criminal and civil laws, rules and regulations in connection with its activities.
- CAMBA's compliance with all material terms and conditions in any agreement that it has entered into with the City Agency.

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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. 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: New York City Department of Homeless Services – Oversight of Contract Expenditures of Church Avenue Merchants Block Association, Inc.  
Audit Number: 2023-N-9 Date: 6/12/25

Auditors' Recommendations	Agency Response	Responsible Unit	Agency Corrective Action	Target Date
<b>Recommendation 1:</b>  Review and recover, as appropriate, \$4,559,762 in reported expenses that were not in compliance with the Fiscal Manual, Cost Manual, and Magnolia contracts.	<b>Partially Agree, with explanation</b>  The Agency will complete a review and recover as appropriate.  Note that CAMBA provided additional documentation to refute the following disallowances: <ul style="list-style-type: none"> <li>Contracted Security Expenses - \$256,506</li> <li>Unsupported Vehicle Maintenance Expenses - \$26,080</li> </ul> <b>State Comptroller's Comment</b> – We reviewed the additional documentation provided by CAMBA and adjusted the recommended disallowance in the final report, as appropriate.	DHS Adults DSS Finance DSS Corrective Action Planning Office (CAPO)	CAMBA submitted additional supporting documents that were uploaded for OSC's review. DHS will pursue recoupment of any expenses which are not substantiated.  <b>See attached:</b> <ul style="list-style-type: none"> <li>Recommendation 1</li> </ul>	12/31/2025
<b>Recommendation 2:</b>  Review the eligibility of claimed expenses in accordance with the Fiscal Manual, Cost Manual, and providers' contracts ensuring that providers, such as CAMBA: <ul style="list-style-type: none"> <li>Retain the requisite documentation to support claimed expenses.</li> </ul>	<b>Partially Agree, with explanation</b>  Monitoring of provider compliance with the governing policies, procedures, manuals and contractual obligations is an ongoing process that DHS takes seriously and engages in continuously. Specifically: <ul style="list-style-type: none"> <li>The Agency regularly provides various types of training and reminders, including on document retention. An example is a memo on Timekeeping and Document Retention to all DHS providers from DHS</li> </ul>	DHS Adults DHS Budget DSS Finance DSS CMO DHS OPDI	DHS monitors provider compliance with the eligibility of claimed expenses in accordance with the Fiscal Manual, Cost Manual and providers' contractual obligations as a matter of course, including through use of third-party auditor firms.	Ongoing

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

Audit Name: New York City Department of Homeless Services – Oversight of Contract Expenditures of Church Avenue Merchants Block Association, Inc.  
Audit Number: 2023-N-9 Date: 6/12/25

Auditors' Recommendations	Agency Response	Responsible Unit	Agency Corrective Action	Target Date
<ul style="list-style-type: none"> <li>Maintain the required inventories.</li> </ul>	<p>Administrator Carter issued in May 2024. Please refer to the attached.</p> <ul style="list-style-type: none"> <li>In June 2022 DHS issued the Inventory Management procedure titled <i>DHS-PB-2022-006 DHS Facility Inventory Management</i>. (Attached for reference.) This procedure reinforces that “[p]roviders must effectively track and maintain goods purchased with DHS funds.” The Agency and its providers also follow the Standard Invoice Review Procedure (SIRP), introduced by the Mayor’s Office of Contract Services (MOCs) in January 2021, which states that “a complete monthly invoice submission must include ... [e]quipment purchase documentation, where applicable.” This SIRP-defined standard is upheld in the DHS Invoice Review procedure DHS-PB-2021-014 – on which the Agency has been providing training since 2021 – which requires that invoice submissions include supporting documentation such as inventory records to support claims for office supplies, program supplies, food, and equipment.</li> </ul> <p>The Agency is currently developing an inventory management training to emphasize instructions on how to maintain and document inventory records as detailed in the previously referenced procedures.</p>		<p>CAMBA’s Magnolia contract will be included in the next round of CPA-managed contract-based audits.</p> <p>Effective November 2024, CAMBA was placed on an enhanced invoice review process for three months, starting with the January 2025 invoices. The Agency can extend this process for an additional three months, depending on CAMBA’s compliance. This process involves review of 20% of Personnel Services (PS), and 15% of Other Than Personnel Services (OTPS) of each monthly invoice and is intended to improve CAMBA’s compliance with retention and submission of appropriate supporting documentation</p>	<p>12/31/2025</p> <p>Ongoing</p>

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

Audit Name: New York City Department of Homeless Services – Oversight of Contract Expenditures of Church Avenue Merchants Block Association, Inc.  
Audit Number: 2023-N-9

Date: 6/12/25

Auditors' Recommendations	Agency Response	Responsible Unit	Agency Corrective Action	Target Date
<ul style="list-style-type: none"> <li>Complete year-end closeouts on time.</li> </ul>	<ul style="list-style-type: none"> <li>While DHS prioritizes timely budget closeouts, OSC's recommendation assumes that closeouts are fully within the Agency and provider control, which is not accurate.</li> </ul> <p><b>State Comptroller's Comment</b> – DHS policy requires the final budget modification and the closeout invoice to be submitted no later than September 1 or the next business day if September 1 falls on a weekend. DHS' assertion that closeouts are not fully within the agency and provider control does not negate our finding that year-end closeouts were not timely for the 2020-21, 2021-22, and 2022-23 fiscal years.</p> <p>Final closeouts require all invoices to be paid. Citywide New York City new initiatives that are approved by the Office of Management and Budget (OMB), such as Prevailing Wage, Cost of Living Adjustment (COLA), Work Enhancement Initiative (WEI), new needs, and others result in delays in closeouts as they require modifications to the budgets to incorporate additional funds. 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 (please refer to the attached examples.)</p>		<p>and their invoicing accuracy.</p> <p>Further, effective May 2025, DHS placed CAMBA on an organizational Corrective Action Plan (CAP) for the duration of five years. As part of this CAP, DHS directed CAMBA to hire an independent consultant for a period of two years, who will monitor and audit the operations of CAMBA to ensure adherence to the HHS Cost Manual, DHS Fiscal Manual, and applicable federal, City and state laws with regards to all financial matters.</p>	Ongoing

NYC DEPARTMENT OF SOCIAL SERVICES  
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Audit Name: New York City Department of Homeless Services – Oversight of Contract Expenditures of Church Avenue Merchants Block Association, Inc.  
Audit Number: 2023-N-9 Date: 6/12/25

Auditors' Recommendations	Agency Response	Responsible Unit	Agency Corrective Action	Target Date
<p><b>Recommendation 3:</b></p> <p>Comply with the provisions of the Fiscal Manual, Cost Manual, and existing internal policies including:</p> <ul style="list-style-type: none"> <li>Monthly expenditure review of providers' line-item expenses.</li> </ul>	<p><b>Partially Agree, with explanation</b></p> <p>Compliance with the provisions of the Fiscal Manual, HHS Cost Manual, and existing internal policies is regularly emphasized in Agency trainings to the providers.</p> <p>Specifically:</p> <ul style="list-style-type: none"> <li>After the COVID-19 pandemic, many key DHS staff left the Agency. This included program analysts who conducted monthly expenditure CAMBA reviews for the period of FY'21 through FY'22. The Agency was unable to retrieve these records. However, DHS was able to locate an additional tracker for FY'23 (see attached). Note that currently all invoice review trackers and supporting documents are saved into a centralized repository. This centralized repository streamlines the retention process and removes the dependency of information retrieval from individual staff members' computers.</li> <li>The Agency regularly provides training sessions reinforcing the need for accurately applying the approved Indirect Cost Rate (ICR) as is supported by the attached DHS Provider Annual Budget Review PowerPoint which was last trained on 4/14/25.</li> </ul>	<p>DHS Adults DHS Budget DSS Finance</p>	<p>Going forward, all invoice review trackers and supporting documents are saved into a centralized repository.</p> <p>See attached FY'23 Tracker.</p> <p>DHS will review and recoup any expenses which exceeded the approved indirect cost rate.</p>	<p><b>Completed</b></p> <p><b>12/31/2025</b></p>

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Audit Number: 2023-N-9 Date: 6/12/25

Auditors' Recommendations	Agency Response	Responsible Unit	Agency Corrective Action	Target Date
<ul style="list-style-type: none"> <li>Approval of providers' allocation methodologies and inventory procedures.</li> </ul>	<ul style="list-style-type: none"> <li>The DHS Fiscal Manual details acceptable allocation methodologies for various expenses and includes detailed examples. It 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.</li> </ul> <p>Note that on September 20, 2023, DHS rolled out the allocation methodology web-based training, which is open to all DHS providers. Please refer to the attached Final Allocation Training Script.</p>		<p>Allocation methodology script and training module were implemented.</p> <p>DHS will ensure all relevant CAMBA staff complete the web-based allocation training.</p>	<p>Completed</p> <p>12/31/2025</p>
<p><b>Recommendation 4:</b></p> <p>Provide training to providers and DHS staff members to ensure that they are aware of the reimbursement requirements.</p>	<p><b>Disagree, with explanation</b></p> <p>DHS is continuously training its staff and providers on policies, procedures and guidelines related to the reimbursement requirements. Some examples include:</p> <ul style="list-style-type: none"> <li>A detailed training course based on the MOCS SIRP guidance was developed by DHS and is geared toward the provider financial staff that are responsible for reimbursement. This training is available to all DHS providers.</li> <li>On February 14 and 15, 2023, DHS trained its staff and providers on the FY'24 Annual Review. Some of the</li> </ul>	N/A	N/A	Ongoing



**NYC DEPARTMENT OF SOCIAL SERVICES  
OFFICE OF AUDIT SERVICES  
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**Date:** 6/12/25

Auditors' Recommendations	Agency Response	Responsible Unit	Agency Corrective Action	Target Date
	<p>topics covered in this training included DHS Fiscal Manual, budget modifications, allocation methodology and the indirect cost rate. Please refer to the attached PowerPoint presentation for reference.</p> <ul style="list-style-type: none"> <li>Beginning in the Summer of 2023, MOCS rolled out the new payment structure system training through PASSPort Financials, which is available to all providers. Please refer to the following link for additional details: <a href="https://www.nyc.gov/site/mocs/passport/passport-financials.page">https://www.nyc.gov/site/mocs/passport/passport-financials.page</a></li> <li>On September 20, 2023, DHS rolled out the allocation methodology web-based training, which is available online to all DHS providers. Please refer to the attached Final Allocation Training Script.</li> <li>In February 2024, DHS migrated to PASSPort. Shortly afterwards, the Mayor's Office of Contract Services (MOCS), which manages PASSPort, trained DHS staff and providers on advances and provider allocated budgets through budget modification in PASSPort.</li> <li>On April 14, 2025, DHS trained its staff and providers on the MOCS PASSPort reminders and best practices (please refer to the attached DHS Annual Review MOCS slides PowerPoint). Some of the topics covered in this</li> </ul>			

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

Audit Name: New York City Department of Homeless Services – Oversight of Contract Expenditures of Church Avenue Merchants Block Association, Inc.  
Audit Number: 2023-N-9 Date: 6/12/25

Auditors' Recommendations	Agency Response	Responsible Unit	Agency Corrective Action	Target Date
	<p>training included creating a PASSPort account, budget creation and approval processes, and invoice submission in PASSPort.</p> <ul style="list-style-type: none"> <li>On April 14, 2025, DHS trained its staff and providers on the Annual Budget Review (please refer to the attached Provider Annual Budget Review Slides PowerPoint and copy of the attendance roster). Some of the topics covered in this training included the FY'26 budget submission due date reminder and helpful hints, the budget modification process, processing non-profit owner (NPO) shelter invoices in PASSPort, and the new needs planning and approval process.</li> </ul> <p>The Agency is fully committed to the ongoing training process for its staff and providers on reimbursement requirements, including developing new curriculums, where necessary, so as to ensure compliance with the provisions of the DHS Fiscal Manual, HHS Cost Manual, and existing internal policies.</p>			

# Contributors to Report

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