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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

July 14, 2025

Molly Wasow Park
Commissioner
New York City Department of Social Services
4 World Trade Center, 42nd Floor
New York, NY 10007

Re: Oversight of Contract Expenditures
of Bowery Residents' Committee
Report 2024-F-38

Dear Commissioner Park:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article III of the General Municipal Law, we have followed up on the actions taken by officials of the New York City Department of Social Services to implement the recommendations contained in our initial audit report, *Oversight of Contract Expenditures of Bowery Residents' Committee* (Report [2019-N-8](#)).

Background, Scope, and Objective

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. In February 2011, DHS contracted with the Bowery Residents' Committee (BRC), a City-based not-for-profit organization, to provide emergency shelter and ancillary services for mentally ill and chemically addicted homeless adults at its 200-bed Jack Ryan Residence (JRR) for the period from September 2010 to June 2021. The original contract for \$76.1 million was amended five times for a total of \$12.7 million during the 2014-15 to 2018-19 fiscal years to an aggregate cost of \$88.8 million. During the 3 fiscal years ended June 30, 2019, BRC claimed \$23.6 million in reimbursable expenses for the contract.

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

The objective of our initial audit, issued on December 30, 2021, was to determine if DHS was effectively monitoring its contract with BRC to ensure reported costs were allowable, supported, and program-related. The audit, which covered the period from July 1, 2016 through June 30, 2019, found DHS was not effectively monitoring its contract with BRC to ensure reported costs were allowable, supported, and program-related. DHS did not complete the

required expenditure reviews or ensure that required year-end closeouts were completed on time. Consequently, for the 3 fiscal years ended June 30, 2019, we identified \$1,428,199 or 6.05% of all reported costs that did not comply with the requirements in the Fiscal Manual, Cost Manual, and contract, including \$535,140 in personal service costs, \$831,772 in other than personal service costs, and \$61,287 in indirect costs.

The objective of our follow-up was to assess the extent of implementation, as of May 2025, of the eleven recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

DHS officials have made some progress in addressing the issues we identified in the initial audit report; however, more work needs to be done. Of the initial report's 11 audit recommendations, two were implemented, seven were partially implemented, and two were not implemented.

Follow-Up Observations

Recommendation 1

Review and recover, as appropriate, \$1,428,199 in reported expenses that were not in compliance with the Fiscal Manual, Cost Manual, and JRR contract.

Status – Partially Implemented

Agency Action – Following the initial audit, DHS met with BRC and collected documentation pertaining to the \$1,428,199 in reported expenses that were not in compliance with the Fiscal Manual, Cost Manual, and JRR contract. Based on their post-audit work and analysis, DHS officials recovered \$535,453 (37%). Officials explained that their analysis showed that much of the JRR contract expense overallocations noted in the initial audit report were offset by corresponding underallocations to other DHS-funded programs operated by BRC. Therefore, they determined the JRR contract overallocations would not yield actual savings but would merely reshuffle funds owed to BRC.

Additionally, DHS officials told us that they do not recover funds for certain types of non-compliance. For example, DHS officials stated they do not disallow claimed expenses for client supplies based on the absence of written policy or sufficient inventory records. Although officials agreed that BRC did not have the required inventory policy and records to support \$39,211 in client supply costs, DHS did not recover these costs because BRC provided DHS with invoices confirming the purchase. For another \$41,789 in non-compliant expenses, officials told us that they used their discretion not to recover this amount because services were provided. Nevertheless, we encourage DHS to review and recover expenses that are not in compliance with the Fiscal Manual, Cost Manual, and JRR contract.

Recommendation 2

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

Status – Not Implemented

Agency Action – DHS officials stated that, in response to our initial audit, BRC provided them with JRR staff rosters that included titles, salaries, and functions. Officials indicated they

reviewed the rosters and determined DHS did not have to recover any costs associated with front door supervisory hours. We requested the rosters and documentation supporting DHS' review, and DHS officials provided a list of front door employees and timecard reports for 12 of these employees as well as employment details for shift supervisors and site coordinators. However, officials did not provide us with documentation to support they specifically reviewed the hours associated with front door supervisors, which is what this recommendation pertains to.

Recommendation 3

Ensure that providers comply with their contractual requirements to retain sufficient documentation to support proper procurement and maintenance of required inventories.

Status – Partially Implemented

Agency Action – After the initial audit, DHS officials obtained and reviewed BRC's equipment inventory and equipment inventory maintenance procedures. However, officials did not provide documentation demonstrating they obtained or reviewed BRC's supplies inventory and supplies inventory maintenance procedures. Further, as previously noted, DHS officials indicated they do not recover funds for certain types of non-compliance. For example, DHS does not disallow claimed expenses for client supplies based on the absence of written policy or sufficient inventory records. Although officials agreed that BRC did not have the required supplies inventory policy and records to support \$39,211 in client supply costs, DHS did not recover these costs because BRC provided DHS with invoices confirming the purchases. While we acknowledge that DHS provides guidance and training to providers to help ensure compliance, more needs to be done to ensure providers comply with their contractual requirements to retain sufficient documentation to support proper procurement and maintenance of required inventories.

Recommendation 4

Determine whether BRC allocated the remaining New York City Skyline cruise expenses to the other contracts it had with DHS.

Status – Implemented

Agency Action – DHS officials determined that BRC allocated the remaining New York City Skyline cruise expenses to other contracts it had with DHS (\$18,999), the New York City Department of Health and Mental Hygiene (\$2,680), and the New York City Department for the Aging (\$888). We determined that DHS recovered these expenses.

Recommendation 5

Comply with existing internal policies and complete monthly expenditure reviews.

Status – Partially Implemented

Agency Action – DHS officials indicated they follow the New York City Mayor's Office of Contract Services' (MOCS) current invoice review procedure, which requires that two expenditure line items be reviewed per month. However, officials stated they could not find documentation of such reviews for July 2019 through December 2023 because these records were not retained. DHS officials stated that during the COVID-19 pandemic, many DHS staff left the agency due to illness and/or retirement. This included

program analysts who conducted BRC monthly expenditure reviews for the period of July 2019 through December 2023, and DHS was unable to retrieve the associated records. However, since 2024, DHS has documented these expenditure reviews in the Procurement and Sourcing Solutions Portal (PASSPort).

Recommendation 6

Ensure that providers use the cash method of accounting until policies are changed, and develop policies and procedures for authorizing changes to reporting methodology.

Status – Partially Implemented

Agency Action – The MOCS Standard Health and Human Service Invoice Review Policy (SIRP) states that vendors must notify the contracting agency at the beginning of the fiscal year of their intention to claim on an accrual basis, with a list of anticipated line items impacted. DHS developed invoice review procedures to address this. However, the cash method of accounting is still required by the Fiscal Manual. Although DHS officials indicated during the initial audit that they were in the process of amending the Fiscal Manual to permit the accrual method of accounting, they did not make this change. Officials stated that DHS was waiting for the full transition to the PASSPort procurement platform before updating the Fiscal Manual, to ensure alignment with current payment practices. They indicated the Fiscal Manual is in its final stages of revision and will include updates on both cash and accrual methods of accounting.

Recommendation 7

Review and approve all provider allocation methodologies.

Status – Partially Implemented

Agency Action – DHS officials explained that each proposed allocation methodology is reviewed and approved by a budget analyst, the budget director, and DHS program staff during the budget submission process. Officials also indicated that the Fiscal Manual outlines acceptable methodologies for various expenses and states that providers must obtain prior approval from DHS before deviating from an approved methodology. However, based on our discussions with DHS officials, it does not appear these reviews focus on whether the methodologies are fair, reasonable, and adequately supported.

Recommendation 8

Establish additional monitoring controls for the approval process for subcontractors.

Status – Implemented

Agency Action – DHS officials established additional monitoring controls for the approval process for subcontractors. For example, they added controls for monitoring whether providers are obtaining DSS approval for subcontracts of \$25,000 or more.

Recommendation 9

Complete year-end closeouts on time.

Status – Not Implemented

Agency Action – DHS did not complete year-end closeouts on time. For example, DHS has not completed BRC's year-end closeouts for fiscal years 2023 (more than 600 days overdue) and 2024 (more than 250 days overdue). DHS officials indicated that year-end closeouts are not fully within DHS's and the provider's control. They stated that the final closeouts require all invoices to be paid and depend on prior approval from the City's Office of Management and Budget. They also stated that closeouts are delayed when there are pending amendments to add funds to prior fiscal years, and the registration process alone can take several months. Despite these challenges, DHS officials indicated they continue to emphasize the importance of timely budget closeouts by regularly sending reminders to providers.

Recommendation 10

Provide training to providers to ensure that they are aware of the reimbursement requirements.

Status – Partially Implemented

Agency Action – DHS officials noted several trainings that DHS rolled out, including trainings on the SIRP, budget/invoice review, annual review, and allocation methodology. While these trainings covered pertinent reimbursement topics, they do not cover other relevant requirements such as submitting inventory maintenance procedures and documenting inventory. During the initial audit, we found BRC did not comply with these requirements. DHS officials indicated DHS is currently developing an inventory management training to emphasize the instructions on how to maintain and document inventory records.

Recommendation 11

Monitor the JRR contract to ensure that government resources are used only for expenses that are allowable, supported, and program appropriate.

Status – Partially Implemented

Agency Action – As indicated above, DHS took additional steps to monitor the JRR contract. While we acknowledge the work DHS performed in response to the initial audit, we also noted that many recommendations have not been fully implemented. DHS officials can take additional steps to help ensure that government resources are used only for expenses that are allowable, supported, and program appropriate.

Major contributors to this report were Hardat Singh and Ian Cunningham.

DSS officials are requested, but not required, to provide information about any actions planned to address the unresolved issues discussed in this follow-up within 30 days of the report's issuance. We thank the management and staff of DSS for the courtesies and cooperation extended to our auditors during this follow-up.

Very truly yours,

Joseph Gillooly
Audit Manager

cc: Anjella Babayeva, NYC Department of Social Services
Victoria Arzu, NYC Department of Social Services